

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 1 / 2012

(In accordance with § 82, section 2 and § 83, section 1 of the Decree of the Minister of Finance dated 19 February 2009 – Journal of Laws No. 33, point 259)

for issuers of securities involved in production, construction, trade or services activities

For the first quarter of the financial year **2012** comprising the period from **1 January 2012** to **31 March 2012**
Containing the interim condensed consolidated financial statements according to IAS 34 in PLN, and interim condensed financial statements according to IAS 34 in PLN.

publication date: 15 May 2012

KGHM Polska Miedź Spółka Akcyjna

(name of the issuer)

KGHM Polska Miedź S.A.

(name of issuer in brief)

59-301

(postal code)

M. Skłodowskiej – Curie

(street)

(48 76) 74 78 200

(telephone)

IR@BZ.KGHM.pl

(e-mail)

692-000-00-13

(NIP)

Basic materials

(issuer branch title per the Warsaw Stock Exchange)

LUBIN

(city)

48

(number)

(48 76) 74 78 500

(fax)

www.kghm.pl

(website address)

390021764

(REGON)

This report is a direct translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

SELECTED FINANCIAL DATA

data concerning the interim condensed consolidated financial statements of KGHM Polska Miedź S.A.

	in '000 PLN		in '000 EUR	
	1 quarter of 2012 period from 1 January 2012 to 31 March 2012	1 quarter of 2011 period from 1 January 2011 to 31 March 2011	1 quarter of 2012 period from 1 January 2012 to 31 March 2012	1 quarter of 2011 period from 1 January 2011 to 31 March 2011
I. Sales	6 107 812	5 346 540	1 462 949	1 345 312
II. Operating profit	1 756 614	2 457 960	420 746	618 479
III. Profit before income tax	1 736 558	2 511 730	415 942	632 009
IV. Profit for the period	1 373 025	2 032 213	328 868	511 351
V. Profit for the period attributable to shareholders of the Parent Entity	1 372 664	2 031 325	328 782	511 128
VI. Profit for the period attributable to non-controlling interest	361	888	86	223
VII. Other comprehensive income	(634 429)	35 561	(151 959)	8 948
VIII. Total comprehensive income	738 596	2 067 774	176 909	520 299
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	745 927	2 064 286	178 665	519 421
X. Total comprehensive income attributable to non-controlling interest	(7 331)	3 488	(1 756)	878
XI. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XII. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	6.86	10.16	1.64	2.56
XIII. Net cash generated from operating activities	2 439 552	1 559 253	584 324	392 344
XIV. Net cash used in investing activities	(7 554 178)	(1 201 266)	(1 809 384)	(302 266)
XV. Net cash generated from/(used in) financing activities	311 562	(41 740)	74 626	(10 503)
XVI. Total net cash flow	(4 803 064)	316 247	(1 150 434)	79 575
	At 31 March 2012	At 31 December 2011	At 31 March 2012	At 31 December 2011
XVII. Non-current assets	21 651 757	12 050 205	5 202 748	2 728 266
XVIII. Current assets	14 629 147	18 516 811	3 515 270	4 192 359
XIX. Total assets	36 280 904	30 567 016	8 718 018	6 920 625
XX. Non-current liabilities	7 098 854	2 815 264	1 705 799	637 399
XXI. Current liabilities	5 057 295	4 365 142	1 215 229	988 304
XXII. Equity	24 124 755	23 386 610	5 796 990	5 294 922
XXIII. Non-controlling interest	280 597	288 844	67 425	65 397

data concerning the interim condensed financial statements of KGHM Polska Miedź S.A.

	in '000 PLN		in '000 EUR	
	1 quarter of 2012 period from 1 January 2012 to 31 March 2012	1 quarter of 2011 period from 1 January 2011 to 31 March 2011	1 quarter of 2012 period from 1 January 2012 to 31 March 2012	1 quarter of 2011 period from 1 January 2011 to 31 March 2011
I. Sales	5 216 578	4 773 488	1 249 480	1 201 119
II. Operating profit	1 757 315	2 421 570	420 914	609 323
III. Profit before income tax	1 749 031	2 413 528	418 930	607 299
IV. Profit for the period	1 405 391	1 958 394	336 621	492 777
V. Other comprehensive income	(401 641)	30 524	(96 201)	7 681
VI. Total comprehensive income	1 003 750	1 988 918	240 420	500 458
VII. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
VIII. Earnings per ordinary share (in PLN/EUR)	7.03	9.79	1.68	2.46
IX. Net cash generated from operating activities	2 270 310	1 451 396	543 787	365 205
X. Net cash used in investing activities	(9 854 914)	(1 149 266)	(2 360 458)	(289 182)
XI. Net cash used in financing activities	(16)	(15)	(4)	(4)
XII. Total net cash flow	(7 584 620)	302 115	(1 816 675)	76 019
	At 31 March 2012	At 31 December 2011	At 31 March 2012	At 31 December 2011
XIII. Non-current assets	21 447 033	11 696 705	5 153 555	2 648 231
XIV. Current assets	9 083 628	17 556 484	2 182 725	3 974 933
XV. Total assets	30 530 661	29 253 189	7 336 280	6 623 164
XVI. Non-current liabilities	2 264 077	2 249 946	544 040	509 406
XVII. Current liabilities	4 127 323	3 867 732	991 764	875 687
XVIII. Equity	24 139 261	23 135 511	5 800 476	5 238 071

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A. Interim condensed consolidated financial statements

(Consolidated financial statements)

Interim consolidated statement of financial position

	Note	At		
		31 March 2012	31 December 2011 restated	1 January 2011
ASSETS				
Non-current assets				
Property, plant and equipment		10 507 086	9 092 529	8 670 554
Intangible assets		4 733 893	580 384	473 215
Investment property		60 002	59 930	59 760
Investments accounted for using the equity method		3 071 842	472	1 431 099
Deferred tax assets		765 175	272 331	592 792
Available-for-sale financial assets		960 357	993 960	751 718
Mine closure financial assets		393 774	111 709	84 157
Derivatives		861 978	899 400	403 839
Trade and other receivables		297 650	39 490	13 508
		21 651 757	12 050 205	12 480 642
Current assets				
Inventories		3 729 561	2 658 253	2 222 231
Trade and other receivables		2 642 534	1 838 979	2 727 935
Current corporate tax receivables		71 635	7 759	4 511
Available-for-sale financial assets		179 167	15 668	415 662
Mine closure financial assets		1 850	2 147	4 129
Derivatives		447 852	860 042	297 584
Financial assets measured at fair value through profit or loss		242	-	-
Cash and cash equivalents		7 552 744	13 130 401	3 086 957
Non-current assets held for sale		3 562	3 562	1 078
		14 629 147	18 516 811	8 760 087
TOTAL ASSETS		36 280 904	30 567 016	21 240 729
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Parent Entity				
Share capital		2 000 000	2 000 000	2 000 000
Accumulated other comprehensive income		(71 813)	554 924	209 821
Retained earnings		21 915 971	20 542 842	12 456 413
		23 844 158	23 097 766	14 666 234
Non-controlling interest		280 597	288 844	255 889
TOTAL EQUITY		24 124 755	23 386 610	14 922 123
LIABILITIES				
Non-current liabilities				
Trade and other payables		836 548	129 749	119 860
Borrowings, debt securities and finance lease liabilities	A.IV.6	1 789 773	194 370	173 652
Derivatives		465 572	538 320	711 580
Deferred tax liabilities		1 861 468	129 042	168 156
Employee benefits liabilities		1 370 796	1 338 743	1 221 794
Provisions for other liabilities and charges		774 697	485 040	520 727
		7 098 854	2 815 264	2 915 769
Current liabilities				
Trade and other payables		2 636 372	2 182 093	1 994 577
Borrowings, debt securities and finance lease liabilities	A.IV.6	108 843	103 587	96 162
Current corporate tax liabilities		1 849 593	1 595 528	672 152
Derivatives		250 232	331 331	482 118
Employee benefits liabilities		126 528	126 563	110 912
Provisions for other liabilities and charges		85 727	26 040	46 916
		5 057 295	4 365 142	3 402 837
TOTAL LIABILITIES		12 156 149	7 180 406	6 318 606
TOTAL EQUITY AND LIABILITIES		36 280 904	30 567 016	21 240 729

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of comprehensive income

	Note	Financial period	
		for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011 restated
Sales	A.IV.1	6 107 812	5 346 540
Cost of sales	A.IV.2	(3 400 143)	(2 667 315)
Gross profit		2 707 669	2 679 225
Selling costs	A.IV.2	(59 790)	(61 446)
Administrative expenses	A.IV.2	(296 099)	(203 073)
Other operating income	A.IV.3	670 080	427 248
Other operating costs	A.IV.4	(1 265 246)	(383 994)
Operating profit		1 756 614	2 457 960
Finance costs	A.IV.5	(19 970)	(10 935)
Share of (losses)/profits of associates accounted for using the equity method		(86)	64 705
Profit before income tax		1 736 558	2 511 730
Income tax expense		(363 533)	(479 517)
Profit for the period		1 373 025	2 032 213
Other comprehensive income due to:			
Available-for-sale financial assets		(67 004)	(27 170)
Cash flow hedging instruments		(451 779)	64 523
Exchange differences from the translation of foreign operations		(209 830)	5 305
Income tax related to items presented in other comprehensive income		94 184	(7 097)
Other comprehensive net income for the financial period		(634 429)	35 561
TOTAL COMPREHENSIVE INCOME		738 596	2 067 774
Profit for the period attributable to:			
shareholders of the Parent Entity		1 372 664	2 031 325
non-controlling interest		361	888
Total comprehensive income attributable to:			
shareholders of the Parent Entity		745 927	2 064 286
non-controlling interest		(7 331)	3 488
Earnings per share attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)			
- basic		6.86	10.16
- diluted		6.86	10.16

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity				Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
	Share capital	Accumulated other comprehensive income due to:						
		Available-for-sale financial assets	Cash flow hedging instruments	Exchange differences from the translation of foreign operations				
At 1 January 2012 restated	2 000 000	(38 296)	574 283	18 937	20 542 842	23 097 766	288 844	23 386 610
Total comprehensive income	-	(58 658)	(365 941)	(202 138)	1 372 664	745 927	(7 331)	738 596
Profit for the period	-	-	-	-	1 372 664	1 372 664	361	1 373 025
Other comprehensive income	-	(58 658)	(365 941)	(202 138)	-	(626 737)	(7 692)	(634 429)
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	465	465	(916)	(451)
At 31 March 2012	2 000 000	(96 954)	208 342	(183 201)	21 915 971	23 844 158	280 597	24 124 755
At 1 January 2011	2 000 000	120 046	89 775	-	12 456 413	14 666 234	255 889	14 922 123
Total comprehensive income	-	(22 008)	52 264	2 705	2 031 325	2 064 286	3 488	2 067 774
Profit for the period	-	-	-	-	2 031 325	2 031 325	888	2 032 213
Other comprehensive income	-	(22 008)	52 264	2 705	-	32 961	2 600	35 561
Obligation to repurchase of non-controlling interest	-	-	-	-	(17 788)	(17 788)	-	(17 788)
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	5 384	5 384	7 327	12 711
At 31 March 2011 restated*	2 000 000	98 038	142 039	2 705	14 475 334	16 718 116	266 704	16 984 820

* explanation in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of cash flows

	Note	Financial period	
		for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011 restated
Cash flow from operating activities			
Profit for the period		1 373 025	2 032 213
Adjustments to profit for the period	A.IV.7	1 285 564	174 909
Income tax paid		(219 037)	(647 869)
Net cash generated from operating activities		2 439 552	1 559 253
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(6 949 243)	(94 110)
Purchase of property, plant and equipment and intangible assets		(582 588)	(423 976)
Advances granted for purchase of property, plant and equipment and intangible assets		(6 339)	(33 170)
Proceeds from sale of property, plant and equipment and intangible assets		7 397	7 013
Purchase of investment property		(72)	(44)
Purchase of available-for-sale financial assets		-	(1 048 495)
Proceeds from sale of available-for-sale financial assets		978	510 314
Purchase of mine closure financial assets		(24 188)	(22 410)
Establishment of deposits		-	(450 000)
Termination of deposits		-	350 000
Interest received		372	4 291
Dividends received		136	145
Other investment expenses		(631)	(824)
Net cash used in investing activities		(7 554 178)	(1 201 266)
Cash flow from financing activities			
Proceeds from bank and other loans		368 165	15 680
Repayments of bank and other loans		(51 351)	(52 422)
Payments of liabilities due to finance leases		(2 618)	(2 364)
Interest paid		(2 724)	(2 540)
Other financial proceeds/(expenses)		90	(94)
Net cash generated from/(used in) financing activities		311 562	(41 740)
Total net cash flow		(4 803 064)	316 247
Exchange losses on cash and cash equivalents		(849 277)	(70)
Movements in cash and cash equivalents		(5 652 341)	316 177
Cash and cash equivalents at beginning of the period		13 205 085	3 086 957
Cash and cash equivalents at end of the period		7 552 744	3 403 134
including restricted cash and cash equivalents		80 193	2 505

A. Interim condensed consolidated financial statements (continued)

Selected explanatory data

I. Policies applied in preparing the financial statements

1. Introduction

The Parent Entity of the KGHM Polska Miedź S.A. Group is KGHM Polska Miedź S.A. with its registered head office in Lubin, whose shares are traded on a regulated market. The core business of the Company is the production of copper and silver.

The principal activities of the Parent Entity comprise:

- mining of copper and non-ferrous metals ore,
- excavation of gravel and sand,
- production of copper, precious and non-ferrous metals,
- production of salt,
- casting of light and non-ferrous metals,
- forging, pressing, stamping and roll forming of metal - powder metallurgy,
- waste management,
- wholesale based on direct payments or contracts,
- warehousing and storage of goods,
- holding management activities,
- geological and exploratory activities,
- general construction activities with respect to mining and production facilities,
- generation and distribution of electricity, steam and hot water, production of gas and distribution of gaseous fuels through a supply network,
- scheduled and non-scheduled air transport, and
- telecommunication and IT activities.

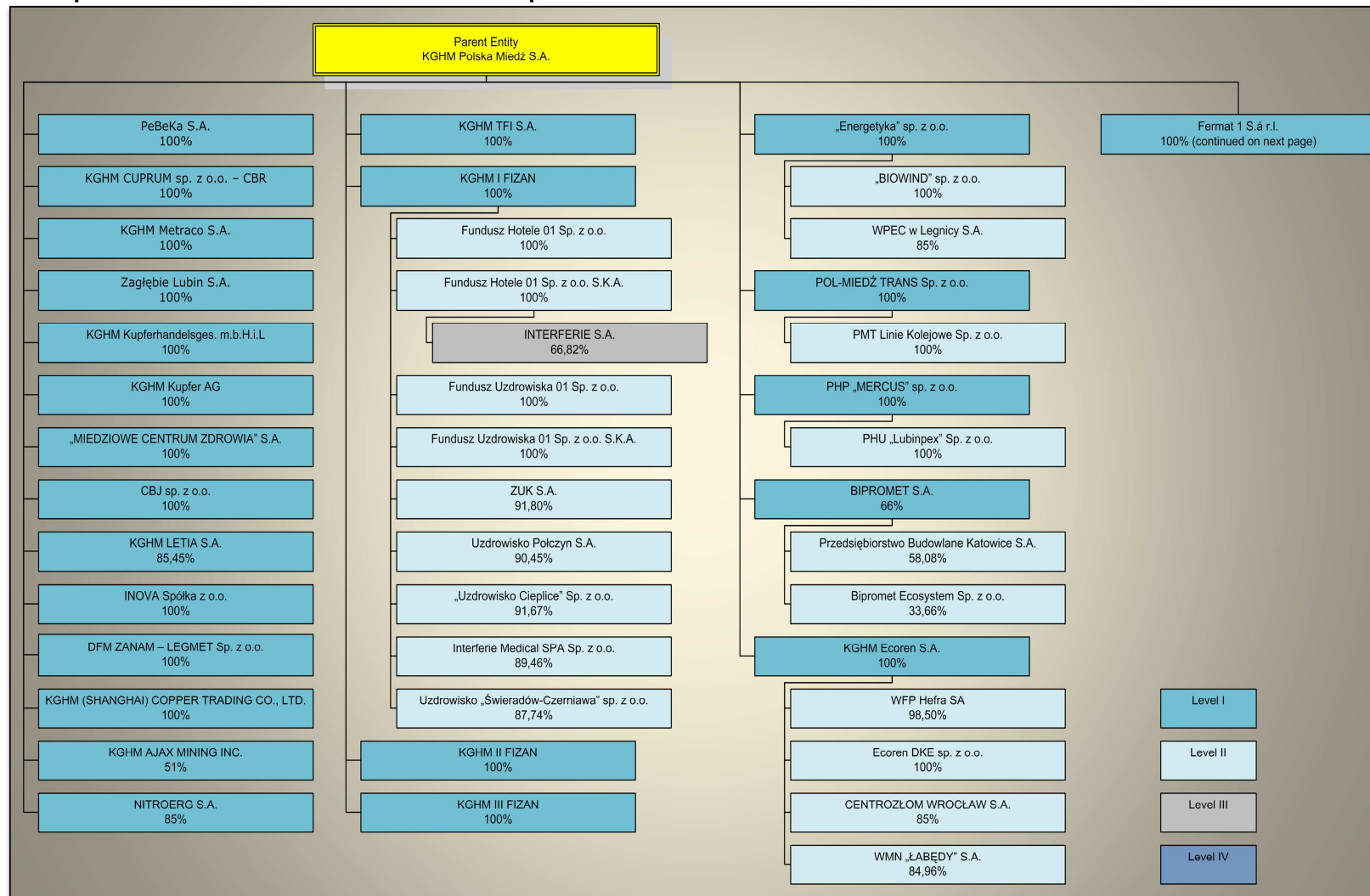
Activities involving the exploitation of copper ore, salt deposits and common minerals are carried out based on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry in the years 1993-2004, most of which expire up to 31 December 2013. KGHM Polska Miedź S.A. in the current reporting period is continuing to obtain licenses for subsequent years. In the opinion of the Management Board, the licensing process, which occurs periodically, is of an administrative nature, while the probability of not receiving a license is, in the opinion of the Management Board of the Parent Entity, minimal.

The business activities of the Group also include:

- mine production of metals, including copper, nickel, gold, platinum, palladium,
- production of goods from copper and precious metals,
- underground construction services,
- production of machinery and mining equipment,
- transport services,
- activities in the areas of research, analysis and design,
- production of road-building materials, and
- recovery of associated metals from copper ore.

A. Interim condensed consolidated financial statements (continued)

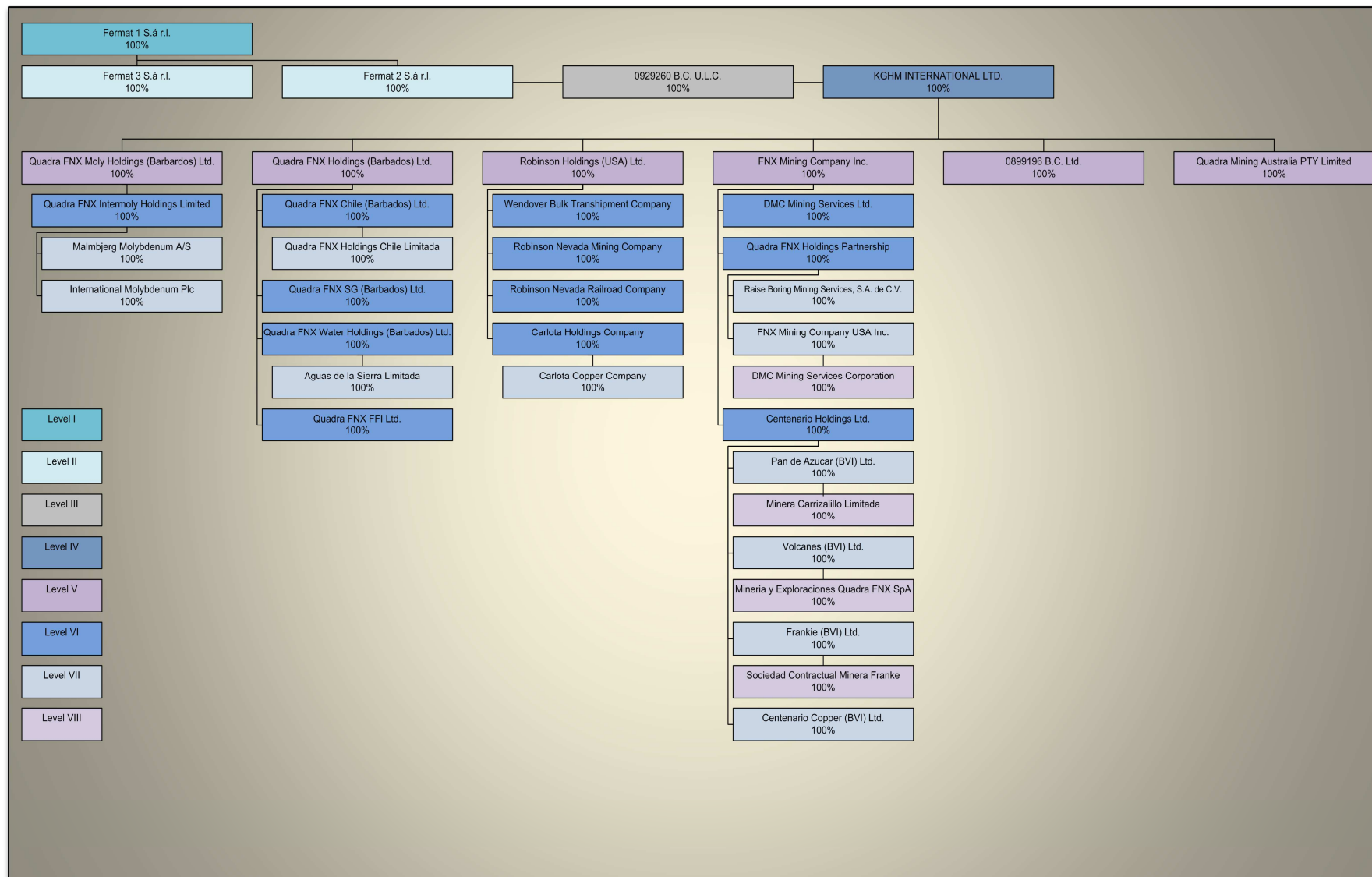
2. Composition of the KGHM Polska Miedź S.A. Group at 31 March 2012



The percentage share represents the total share of the Group.

KGHM Polska Miedź S.A.
 Consolidated quarterly report with quarterly financial information prepared in accordance with IAS 34
 for the period from 1 January 2012 to 31 March 2012
 (amounts in tables in thousand PLN, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)



A. Interim condensed consolidated financial statements (continued)

In the current quarter KGHM Polska Miedź S.A. consolidated 82 subsidiary entities, and one associated entity and a joint venture were accounted for using the equity method.

At 31 March 2012, based on IAS 8 § 8, which allows exemption from the application of IFRS in a case where the effects of exemption are immaterial, the following subsidiaries were excluded from consolidation - „Mercus Software” Sp. z o.o. and TUW Cuprum. Altogether, in the presented consolidated financial statements 2 subsidiaries were not consolidated, and one associated entity was not accounted for using the equity method. At the end of the reporting period these assets were measured at cost less impairment. Exclusion of these entities from consolidation does not affect the honest presentation of the assets, profit or loss and cash flows of the Group.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the current period from 1 January to 31 March 2012 and the comparable period from 1 January to 31 March 2011, together with selected explanatory data **(Part A)**,
2. other information to the consolidated quarterly report **(Part B)**,
3. the quarterly financial information of KGHM Polska Miedź S.A. for the current period from 1 January to 31 March 2012 and the comparable period from 1 January to 31 March 2011 **(Part C)**.

Neither the interim consolidated financial statements at 31 March 2012 nor the interim separate financial statements at 31 March 2012 were audited by a certified auditor.

3. Exchange rates applied

The following currency rates were applied in the calculation of selected financial data in EUR:

- for the calculation of turnover, profit or loss and cash flow, the rate of **4.1750 PLN/EUR***,
- for the calculation of turnover, profit or loss and cash flow for the period, the rate of **3.9742 PLN/EUR***,
- for the calculation of assets, equity and liabilities at 31 March 2012, the rate of **4.1616 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2011, the rate of **4.4168 PLN/EUR**.

**the rates represent the arithmetic mean of current average exchange rates announced by the NBP on the last day of each month during the periods from January to March respectively of 2011 and 2012.*

4. Accounting policies

The condensed consolidated financial statements for the period from 1 January 2012 to 31 March 2012 were prepared in accordance with IAS 34 Interim Financial Reporting and for a full understanding of the financial situation and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the consolidated financial statements for the year ended 31 December 2011 and with the separate financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2011.

These financial statements have been prepared using the same principles for the current and comparable periods, restating the comparable period to changes in accounting and presentation principles to those applied in the statements in the current period.

Changes to the comparable period were with respect to:

- o a change in the name of the item in the statement of financial position in which financial assets purchased from the Mine Closure Fund are presented. As a result of the obtaining of control over the KGHM INTERNATIONAL LTD. Group during the reporting period, the value of the separated financial assets accumulated to cover future decommissioning costs of mines and other facilities increased substantially, from PLN 113 856 thousand at 31 December 2011 to PLN 395 624 thousand at 31 March 2012. Considering the substantial amount of these assets and a better reflection of their nature and designation, the name of the item in assets was changed from „Held-to-maturity investments” to „Mine closure financial assets”,

A. Interim condensed consolidated financial statements (continued)

- o final accounting of the purchase of shares of NITROERG S.A. at 2 February 2011. As a result of this accounting, an adjustment was made to the company's net assets to final fair value. As a result of measurement there was a decrease in goodwill by PLN 33 644 thousand, an increase in property, plant and equipment and other intangible assets in the amount of PLN 48 865 thousand, an increase in the deferred tax liability by PLN 9 284 thousand and an increase in non-controlling interests in the amount of PLN 5 937 thousand,
- o amortisation of the differences between the fair value of the net assets of NITROERG S.A. and their carrying amount at the date of purchase of NITROERG S.A. shares as a result of final accounting of this transaction and allocation of the purchase price pursuant to IFRS 3. The effects of amortisation of non-current assets was charged to retained earnings at 31 March 2011 in the amount of PLN 306 thousand, and at 31 December 2011 in the amount of PLN 1 684 thousand,
- o amortisation of the differences between the fair value of the net assets of the companies Uzdrowisko Połczyn S.A., ZUK S.A. and „Uzdrowisko Cieplice” Sp. z o.o., and their carrying amount at the date of purchase of shares of these companies as a result of final accounting of this transaction and allocation of the purchase price pursuant to IFRS 3. The effects of changes in amortisation of non-current assets was charged to retained earnings as at 31 March 2011 in the amount of PLN 786 thousand.

Due to the restating of comparative data, the statement of financial position shows data at 1 January 2011 pursuant to IFRS, and as such the restatement of the comparative period to the changes in accounting principles and presentation adopted in the statement of the current period did not affect the amounts shown in the statement of financial position as at 1 January 2011.

From 1 January 2012 the following standards and interpretations are binding for the Group:

- o Amendments to IFRS 7 Disclosures - Transfers of Financial Assets
- o Amendments to IFRS 1 First-time Adoption of IFRS - Severe Hyperinflation and Removal of Fixed Dates
- o Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets
- o Amendments to IAS 1 Presentation of Financial Statements - Presentation of Other Comprehensive Income Items

As at the date of publication of these financial statements, all of the above changes to the standards and interpretations have been approved for use by the European Union. In the opinion of the Group, their application would not have an impact on the financial statements or the impact would be immaterial.

II. Information on significant changes in estimates

1. Provisions for future liabilities

The effects of revaluation or recognition of estimates of future liabilities (provisions) were settled in the financial result of the current quarter, and in particular due to:

- 1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in the provision in the amount of PLN 32 018 thousand which was settled as a decrease in profit (after reflecting the results in deferred tax, a decrease in profit in the amount of PLN 25 909 thousand),
- 1.2 provision for future costs of decommissioning (restoration) of the Group's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 41 366 thousand, which was settled as a decrease in profit in the amount of PLN 10 989 thousand and as an increase of property, plant and equipment in the amount of PLN 30 377 thousand. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 3 686 thousand,
- 1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 213 246 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(provision at 31 March 2012 amounted to PLN 508 479 thousand)

The revaluation and recognition of other provisions for liabilities did not significantly impact the current period profit.

A. Interim condensed consolidated financial statements (continued)

2. Deferred tax

The result of differences between the carrying amount and the tax base of statement of financial position items is a change in the estimated value of the deferred tax asset and the deferred tax liability.

The deferred tax asset increased in the current quarter in the amount of PLN 492 189 thousand, of which:

- o PLN 194 721 thousand was settled as an increase in profit,
- o PLN 6 854 thousand was settled as an increase in other comprehensive income due to measurement of available-for-sale financial assets.

The remaining increase in the deferred tax asset in the amount of PLN 290 614 thousand represents the deferred tax asset of subsidiaries at the date on which control was obtained by the Group.

The deferred tax liability increased in the current quarter in the amount of PLN 1 731 771 thousand, of which:

- o PLN 87 388 thousand was settled as a decrease in profit,
- o PLN 89 501 thousand was settled as an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets.

The remaining increase in the deferred tax liability in the amount of PLN 1 733 884 thousand represents the balance of deferred tax liabilities of a subsidiary at the date on which control was obtained by the Group.

After offsetting the deferred tax asset and deferred tax liability, in the statements of financial position at the level of subsidiaries as at 31 March 2012, the deferred tax asset was set at PLN 765 175 thousand, while the deferred tax liability - at PLN 1 861 468 thousand.

III. Financial and tangible assets

In the current quarter the most important changes in financial assets concerned the following:

1. in **investments accounted for using the equity method** – purchase of shares in a joint venture in the amount of PLN 3 071 456 thousand, through the purchase of 100% of the shares of the joint venture investor,
2. in **available-for-sale financial assets**
 - a) **non-current:**
 - settlement in other comprehensive income of a decrease in value of assets at the end of the reporting period in the amount of PLN 43 927 thousand,
 - reclassification of available-for-sale financial assets from current to non-current assets in the amount of PLN 10 389 thousand,
 - b) **current:**
 - settlement in other comprehensive income of a decrease in value of assets in the amount of PLN 23 186 thousand,
 - reclassification of available-for-sale financial assets from current to non-current assets in the amount of PLN 10 389 thousand,
 - sale of shares in listed companies in the amount of PLN 763 thousand.
3. in **mine closure financial assets (non-current and current)**
 - assets of the company of which control was obtained during the reporting period in the amount of PLN 259 099 thousand,
 - acquisition of financial assets from the funds of the Mine Closure Fund in the amount of PLN 24 144 thousand.
4. in **derivatives (assets and liabilities)** - as a result of changes in macroeconomic factors, the fair value of open positions in derivatives at 31 March 2012 decreased. Simultaneously, as a result of these changes, derivative transactions with a settlement date falling in the first quarter of 2012 were settled with a positive result. Profit for the current quarter increased in the amount of PLN 11 116 thousand. Detailed information on derivatives of the Parent Entity may be found in part C.II.5 of this report.
5. in **financial receivables** – reversal of an impairment allowance in the amount of PLN 3 197 thousand (an excess of the impairment allowance released, in the amount of PLN 3 879 thousand, over the impairment allowance recognised, in the amount of PLN 682 thousand).

A. Interim condensed consolidated financial statements (continued)

There was no transfer by the Group of financial instruments between individual levels of fair value hierarchy in either the reporting or the comparative periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these assets.

With respect to other assets in the current quarter the following impairment losses were recognised and reversed:

property, plant and equipment and intangible assets

- impairment loss reversed PLN 1 802 thousand

non-financial receivables

- impairment allowance recognised PLN 455 thousand

- impairment allowance reversed PLN 452 thousand

inventories

- write-down recognised PLN 259 thousand

- write-down reversed PLN 815 thousand

Purchase and sale of property, plant and equipment

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Purchase	340 704	242 394
Net sale	243	167

Capital commitments not recognised in the consolidated statement of financial position

	At	
	31 March 2012	31 December 2011
For the purchase of property, plant and equipment	540 485	709 883
For the purchase of intangible assets	13 063	18 076
Total capital commitments:	553 548	727 959

A. Interim condensed consolidated financial statements (continued)

IV. Selected additional explanatory notes

1. Sales

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Copper, precious metals, smelter by-products	5 335 350	4 641 481
Energy	19 337	17 208
Services	190 356	226 676
Mining machinery, transport vehicles for mining and other	16 563	648
Merchandise	314 094	247 823
Scrap and materials	16 910	5 027
Other finished goods	215 202	207 677
Total	6 107 812	5 346 540

2. Expenses by nature

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Depreciation of property, plant and equipment and amortisation of intangible assets	242 314	233 167
Employee benefit expenses	1 053 559	876 157
Materials and energy	2 118 472	1 689 021
External services	658 980	341 083
Taxes and charges	97 594	97 006
Advertising costs and representation expenses	7 083	13 894
Property and personal insurance	7 958	7 216
Research and development costs not capitalised in intangible assets	493	59
Other costs of which:	19 099	10 890
Impairment losses on property, plant and equipment, intangible assets	-	1 050
Write-down of inventories	259	159
Allowance for impairment of trade and other receivables	468	2 313
Reversal of impairment of property, plant and equipment, intangible assets	(1 802)	-
Reversal of write-down of inventories	(815)	(812)
Reversal of allowance for impairment of trade and other receivables	(3 723)	(2 435)
Losses from the sale of financial instruments	2 454	734
Other operating costs	22 258	9 881
Total expenses by nature	4 205 552	3 268 493
Cost of merchandise and materials sold (+) of which:	(167 253)	123 659
Allowance for impairment of receivables	160	496
Reversal of allowance for impairment of receivables	(127)	(239)
Change in inventories of finished goods and work in progress (+/-)	(117 665)	(327 826)
Cost of manufacturing products for internal use (-)	(164 602)	(132 492)
Total cost of sales, selling costs and administrative expenses	3 756 032	2 931 834

A. Interim condensed consolidated financial statements (continued)

3. Other operating income

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Income and gains on financial instruments, classified under other operating activities, resulting from:	637 995	402 789
Measurement and realisation of derivatives	564 375	359 289
Interest	72 082	36 885
Gains from realisation of financial instruments	569	6 480
Gains from measurement of non-current financial liabilities	610	51
Reversal of allowance for impairment of financial assets	359	84
Gains from the sale of intangible assets	2 671	23
Other interest	198	2 713
Dividends received	135	145
Reversal of allowance for impairment of other non-financial receivables	452	377
Government grants and other donations received	1 316	539
Release of unused provisions due to:	11 725	7 788
Decommissioning of mines	1 150	2 382
Disputed issues, pending court proceedings	1 061	564
Other foreseeable losses, expenses and liabilities	9 514	4 842
Penalties and compensation received	1 530	8 328
Exchange differences - non-financial	-	187
Other operating income/gains	14 058	4 359
Total other operating income	670 080	427 248

A. Interim condensed consolidated financial statements (continued)

4. Other operating costs

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Costs and losses on financial instruments, classified under other operating activities, resulting from:	1 154 923	352 397
Measurement and realisation of derivatives	606 604	323 826
Interest	113	76
Foreign exchange losses	547 945	24 872
Losses on the sale of other financial assets	-	2
Losses due to change in the fair value of financial assets	145	-
Allowances for impairment of loans and receivables	54	3 621
Impairment losses on available-for-sale financial assets	62	-
Allowances for impairment of other non-financial receivables	455	-
Losses on the sale of property, plant and equipment	1 576	1 379
Impairment losses on fixed assets under construction	-	3 607
Interest on overdue non-financial liabilities	124	23
Foreign exchange losses - non-financial	9 001	-
Donations granted	85 954	12 827
Provisions for:	3 361	2 187
Decommissioning of mines	639	22
Disputed issues, pending court proceedings	195	611
Other	2 527	1 554
Penalties and compensation paid	838	1 156
Non-culpable shortages in tangible current assets, cash and losses from fortuitous events	63	153
Contributions to a voluntary organisation	3 276	2 847
Other operating costs/losses	5 675	7 418
Total other operating costs	1 265 246	383 994

5. Finance costs

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Interest expense:	14 003	2 555
On bank and other loans	3 368	2 144
On bonds	10 144	-
Due to finance leases	468	409
Due to finance liabilities	23	2
Foreign exchange (gains)/losses on borrowings	(4 207)	242
Changes in provisions and liabilities arising from the approach of the maturity date of liabilities (unwinding of discount effect)	10 626	7 919
(Gains)/Losses due to measurement of financial liabilities	(530)	65
Other finance costs	78	154
Total finance costs	19 970	10 935

A. Interim condensed consolidated financial statements (continued)

6. Borrowings, debt securities and finance lease liabilities

	At	
	31 March 2012	31 December 2011
Non-current	1 789 773	194 370
Bank loans	172 756	176 909
Loans	2 774	1 738
Bonds	1 600 435	-
Finance lease liabilities	13 808	15 723
Current	108 843	103 587
Bank loans	60 359	91 269
Loans	3 756	2 032
Bonds	34 917	-
Finance lease liabilities	9 811	10 286
Total	1 898 616	297 957

7. Adjustments to profit for the period in the interim consolidated statement of cash flows

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Income tax expense	363 533	479 517
Depreciation/amortisation	242 314	233 167
Share of profits/(losses) of associates accounted for using the equity method	86	(64 705)
Interest and share in profits	11 362	(4 242)
Foreign exchange losses	845 983	875
Change in provisions	18 922	8 948
Change in derivatives	(281 638)	(125 426)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(53 344)	(21 407)
Fair value measurement of net assets in provisional settlement of an acquisition	245 768	-
Other adjustments	37 755	(16 583)
Changes in working capital:	(145 177)	(315 235)
Inventories	(397 885)	(426 102)
Trade and other receivables	(144 040)	101 387
Trade and other payables	396 748	9 480
Total adjustments to profit for the period	1 285 564	174 909

A. Interim condensed consolidated financial statements (continued)

8. Related entities transactions

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Sales to related entities		
To associates	-	1 301
To other related entities	4 237	72
Total sales to related entities	4 237	1 373

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Purchases from related entities		
From associates	-	2 328
From other related entities	11 790	8 837
Total purchases from related entities	11 790	11 165

	At	
	31 March 2012	31 December 2011
Trade and other receivables from related entities		
From associates	-	986
From other related entities	11 469	7 477
Total receivables from related entities	11 469	8 463

	At	
	31 March 2012	31 December 2011
Trade and other payables towards related entities		
Towards associates	-	935
Towards other related entities	9 679	8 501
Total payables towards related entities	9 679	9 436

During the current quarter, no individual transactions were identified between the Group and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, which would be considered as significant in terms of unusual scope and amount.

The remaining transactions, which were collectively significant, between the Group and the government and entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by companies of the Group of materials and services to meet the needs of their current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 197 113 thousand (for the period from 1 January to 31 March 2011 – PLN 162 039 thousand), and the unsettled balance of liabilities from these transactions at 31 March 2012 amounted to PLN 46 135 thousand (at 31 December 2011: PLN 80 841 thousand).

A. Interim condensed consolidated financial statements (continued)

Remuneration of the Supervisory Board of the Parent Entity	For the period	
	for the 3 months ended	for the 3 months ended
	31 March 2012	31 March 2011
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	380	239

Remuneration of the Management Board of the Parent Entity	For the period	
	for the 3 months ended	for the 3 months ended
	31 March 2012	31 March 2011
Salaries and other current employee benefits	769	926

9. Contingent assets and liabilities

	At 31 March 2012	Increase/(decrease) since the end of the last financial year
Contingent assets	411 751	(13 999)
Guarantees received	171 471	(14 343)
Disputed State budget issues	28 739	-
Promissory notes receivables	87 933	(976)
Inventions, implementation of projects	37 412	817
Real estate tax on mining facilities	86 179	690
Other	17	(187)
Contingent liabilities	2 370 201	1 934 592
Guarantees and collateral	127 307	78 123
Liabilities relating to the Sierra Gorda investment project	1 856 617	1 856 617
Disputed issues, pending court proceedings	13 931	(148)
Preventive safety measures in respect of mine-related damages	8 000	-
Liabilities due to implementation of projects and inventions	117 463	3 496
Liabilities towards local municipalities (Gminas) due to signed donations agreement	151 912	151 912
Other	94 971	70 470

The value of contingent assets and liabilities was determined based on estimates.

V. Strategy realisation – resource base development of the Group

V.1 KGHM INTERNATIONAL LTD.

In realisation of the strategy aimed at increasing the resource base and the production of copper, on 5 March 2012 the KGHM Polska Miedź S.A. Group purchased from the former shareholders of Quadra FNX Mining Ltd. with its registered head office in Vancouver 100% of the shares of this entity, representing 100% of the votes at the General Meeting. (Detailed information on the purchase transaction is presented in note A.X.)

After control was obtained the decision was made to delist the shares from the Toronto Stock Exchange (TSX) and to change the name to KGHM INTERNATIONAL LTD.

The activities of the KGHM INTERNATIONAL LTD. Group are focused on mine production of metals (including copper, nickel, gold, platinum and palladium) in the following mines: Robinson and Carlota in the USA, Franke in Chile and McCreedy West, Levack (with the Morrison deposit) and Podolsky in Canada. Its portfolio of assets also includes greenfield projects at various stages of development, including Sierra Gorda in Chile (the major development project, being built on one of the world's largest new deposits of copper and molybdenum), Victoria in Canada and Malmbjerg in Greenland, as well as exploration projects.

From the point of view of current production and development possibilities, the most important mining assets of KGHM INTERNATIONAL LTD. are:

- production assets – the open-pit mine Robinson (Nevada, USA) and the underground mine Morrison / Levack (in the Sudbury region of Canada),
- development project under construction – Sierra Gorda (Chile),
- exploration project – Victoria (Sudbury region of Canada).

A. Interim condensed consolidated financial statements (continued)

This acquisition will enable achievement of an increase in mined copper by the KGHM Polska Miedź S.A. Group by over 100 thousand tonnes annually starting from 2012, with the 2018 target of over 180 thousand tonnes annually. In addition, following the start of production at Sierra Gorda in Chile (2014) and Victoria in Canada, the transaction will substantially reduce the average unit cost of copper production in entities managed directly and indirectly by KGHM Polska Miedź S.A. As a result of the purchase of KGHM INTERNATIONAL LTD., the KGHM Polska Miedź S.A. Group advanced to fourth place globally in terms of documented copper resources and eighth place in terms of copper production.

In the first quarter of 2012, mine production by the KGHM INTERNATIONAL LTD. Group amounted to 25 thousand tonnes of Cu, 1.4 thousand tonnes of nickel and 632 kg of precious metals.

Mining production by mines:

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2012	31 March 2011
Copper production [thousand t], of which:	25.2	20.8
Robinson ⁽¹⁾	10.9	9.0
Carlota ⁽²⁾	2.5	1.9
Franke ⁽²⁾	4.3	3.3
Morrison ⁽³⁾	4.8	3.7
Podolsky ⁽³⁾	2.4	2.4
McCreedy West ⁽³⁾	0.3	0.5
Nickel production [thousand t], of which:	1.4	0.9
Morrison ⁽³⁾	0.8	0.7
Podolsky ⁽³⁾	0.1	0.1
McCreedy West ⁽³⁾	0.5	0.1
Precious metals production (gold, platinum, palladium) [kg], of which:	632	711
Robinson ⁽¹⁾	207	156
Morrison ⁽³⁾	289	164
Podolsky ⁽³⁾	136	187
McCreedy West ⁽³⁾	-	204

(1) payable metals produced in concentrate

(2) produced in cathode

(3) shipped payable metal

The following table presents the financial results of the KGHM INTERNATIONAL LTD. Group for the first quarter of 2012 in comparison to the results for the first quarter 2011

	Financial period			
	for the 3 months ended		for the 3 months ended	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	USD (million)	PLN (million)*	USD (million)	PLN (million)*
Sales	330	1 033	269	770
Profit from mining operations**	56	175	63	180
Operating profit	38	119	213	609
EBITDA***	74	232	247	707
Adjusted EBITDA****	80	251	99	283
Profit for the period	33	103	168	481

* amounts in PLN set in accordance with principles for translation of financial statement items of subsidiaries, whose functional currency is different than the functional currency of entity preparing consolidated financial statement (IAS 21)

** Profit from mining operations is revenue from sales less cost of sales and selling expenses

*** EBITDA is operating profit + amortisation/depreciation

**** adjusted EBITDA is profit from mining operations minus administrative expenses and other operating costs (exploration and evaluation) plus amortisation/depreciation, write-down of inventory, share-based remuneration and management fees for the Sierra Gorda JV

A. Interim condensed consolidated financial statements (continued)

Revenues from sales for the first quarter of 2012 increased by 23% versus the comparable prior period, mainly due to a higher volume of copper sold. Profit for the period from continued operations for the first quarter of 2012 is lower by PLN 378 million (USD 135 million) versus profit for the first quarter of 2011. The difference stems from the recognition of profit on sale of the Gold Wheaton Gold Corp. shares in the result for the first quarter of 2011 in the amount of PLN 383 million (USD 134 million).

The financial results of the KGHM INTERNATIONAL LTD. Group for the period in which control was exercised, included in the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the first quarter of 2012, are presented in the following table.

	USD (million)	PLN (million)*
Sales	109	340
Profit from mining operations**	10	32
Operating loss	(0.5)	(2)
EBITDA***	13	39
Loss for the period	(4)	(12)

* amounts in PLN set in accordance with principles for translation of financial statement items of subsidiaries, whose functional currency is different than the functional currency of entity preparing consolidated financial statement (IAS 21)

** Profit from mining operations is revenue from sales less cost of sales and selling expenses

***EBITDA is operating profit + amortisation/depreciation

The loss for the period was mainly impacted by foreign exchange losses from measurement in the amount of PLN 22 million (USD 7 million) and interest on senior notes in the amount of PLN 10 million (USD 3 million). Cash at 31 March 2012 amounted to PLN 2 876 million (USD 922 million).

Sierra Gorda Project

A key asset of KGHM INTERNATIONAL LTD. is its share in the world-class mining project Sierra Gorda in northern Chile. The project involves the construction of an open-pit mine exploiting a copper and molybdenum deposit. In terms of resources contained it holds seventh place globally amongst copper projects. The project is under construction.

Start of production is planned for 2014. Annual planned production: approx. 220 thousand tonnes of Cu, 11 thousand tonnes of Mo and 2 tonnes of Au over 20 years. The mining operations will be characterised by low production costs. The estimated cash cost of copper production, reflecting the value of associated metals, is 1.23 thousand USD/tonne during the first five years of operations, and an average 2.54 thousand USD/tonne during the life of the mine.

The project is a joint venture of KGHM INTERNATIONAL LTD. (under the JV company Sierra Gorda SCM) (55%) and companies of the Sumitomo Group - Sumitomo Metal Mining Co., Ltd. (31.5%) and Sumitomo Corporation (13.5%).

On 8 March 2012, Sierra Gorda SCM signed a loan agreement with financial institutions for USD 1 billion (representing the equivalent of PLN 3.12 billion at the average National Bank of Poland exchange rate for USD/PLN of 8 March 2012). This is a project finance type of loan, without recourse to KGHM INTERNATIONAL LTD. – the loan is secured by a completion guarantee issued by Sumitomo Metal Mining and Sumitomo Corporation. The loan will be designated for financing of the project – total capex for realisation of the project is around PLN 9.7 billion (USD 3.1 billion).

The project is on time and on budget. In the first quarter of 2012 the process continued of selecting contractors for the project, including the negotiation of contracts for the supply of water, railway transport and the purchase and supply of electricity. Recruitment was carried out for management and operational positions. Earthworks were carried out on the construction of a processing plant, whose assembly will begin in the second quarter of 2012. Infrastructural work was also performed, such as on social buildings, workshops and mining machine assembly. In March 2012 work began on surface stripping.

V.2 KGHM AJAX MINING INC.

In December 2011, KGHM Polska Miedź S.A. received the Bankable Feasibility Study for the Afton-Ajax project, prepared under the Canadian standard NI 43-101, by a consortium of independent consultants under the direction of Tetra Tech WEI (Wardrop). In the first quarter of 2012, the Parent Entity reviewed and analysed the document, which describes the specific technical and economic parameters related to the construction and operation of the future copper and gold mine.

As a result of this analysis, KGHM Polska Miedź S.A. decided to exercise the option to purchase 29% of the shares of KGHM AJAX MINING INC. with its registered head office in Vancouver from Abacus Mining & Exploration Corporation based on the shareholders agreement dated 12 October 2010. Therefore, on 2 April 2012 KGHM Polska Miedź S.A. increased its share in Ajax from 51% to 80%. The shares were acquired for the amount of USD 29 908 thousand (the equivalent of PLN 92 765 thousand, according to the average rate of the National Bank of Poland for USD/PLN of 2 April 2012).

A. Interim condensed consolidated financial statements (continued)

In order to consolidate the Canadian assets under a single entity, on 26 April 2012, KGHM Polska Miedź S.A. transferred its 80% share in KGHM AJAX MINING INC. to 0929260 B.C. U.L.C. in exchange for 1 420 000 shares of 0929260 B.C. U.L.C. in the amount of CAD 142 000 thousand. Subsequently, on the same day the shares acquired by KGHM Polska Miedź S.A. in 0929260 B.C. U.L.C. were transferred to Fermat 1 S.à r.l. in exchange for 1 437 182 shares of Fermat 1 S.à r.l. with a nominal value of USD 1 (the excess in the amount of USD 142 281 thousand was transferred to the reserve capital of Fermat 1 S.à r.l.), and also on the same day 1 420 000 shares of 0929260 B.C. U.L.C. in the amount of CAD 142 000 thousand were transferred from Fermat 1 S.à r.l. to Fermat 2 S.à r.l. in exchange for 1 437 182 shares of Fermat 2 S.à r.l. with a nominal value of USD 1 (the excess in the amount of USD 142 281 thousand was transferred to the reserve capital of Fermat 2 S.à r.l.). KGHM AJAX MINING INC. is currently engaged in activities aimed at obtaining environmental permitting to construct the mine. The timeframe for gaining these permits is not under the company's control. It is however assumed that the permits enabling commencement of the mine's construction will be received by 30 June 2013, and consequently it will allow the completion of the construction of the Afton-Ajax mine and the start of Cu-Au concentrate production in 2015.

VI. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

VII. Information on the issuance, redemption and repayment of debt and equity securities

There was no issuance, redemption or repayment of debt and equity securities in the Group during the reporting period.

VIII. Information related to a paid (or declared) dividend

Up to the date of preparation of this report, the Management Board of KGHM Polska Miedź S.A. had not passed a resolution on the amount of the proposed dividend from the appropriation of profit for 2011 to be recommended to the Ordinary General Meeting of KGHM Polska Miedź S.A.

The final decision on the appropriation of the profit of the Parent Entity is taken by the Ordinary General Meeting of KGHM Polska Miedź S.A.

IX. Business segments

With respect to the process of adapting the supervision of companies of the Group to the strategy and investment policy of KGHM Polska Miedź S.A., the Management Board of the Parent Entity implemented in 2011 a new management model for the Group, based on individual business supervisory units:

- o Production,
- o International expansion and resource base development,
- o Equity-portfolio investments,
- o Commerce and hedging,
- o A group of entities realising corporate social responsibility – CSR.

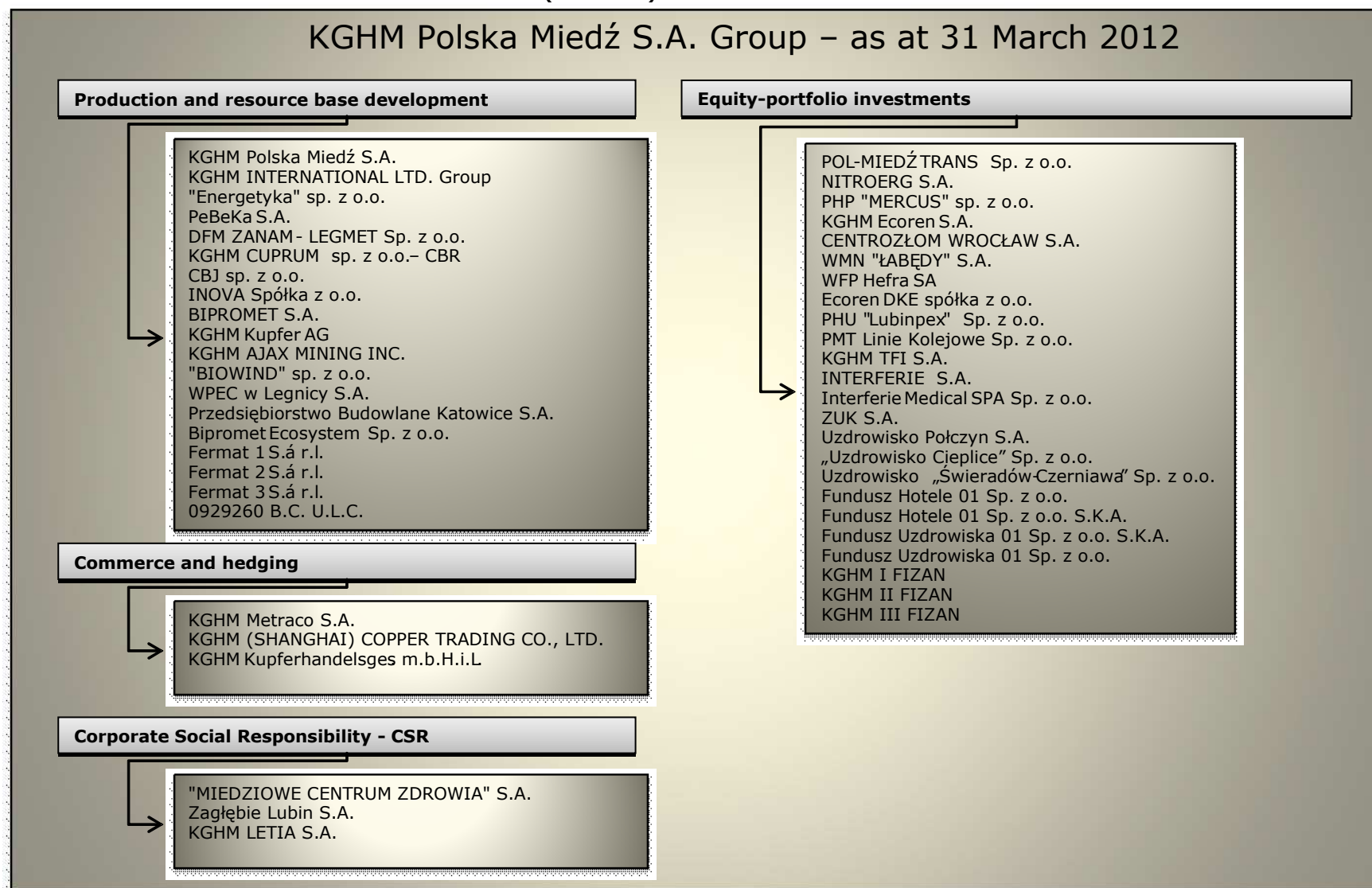
Taking into consideration IFRS 8 and the utility of information to users of the financial statements, four reporting segments were identified:

- production and resource base development, combining the production and international expansion and resource base development units in fulfilment of IFRS 8.12,
- equity-portfolio investment,
- commerce and hedging,
- corporate social responsibility - CSR.

The ordering of KGHM Polska Miedź S.A. Group subsidiaries by segment is presented in the following diagram.

To maintain the comparability, the adopted segregation of reporting segments was also applied to data for the first quarter of 2011.

A. Interim condensed consolidated financial statements (continued)



A. Interim condensed consolidated financial statements (continued)

Internal reports on the results of Group companies are prepared monthly in a condensed form, and quarterly in an expanded scope. The Management Board of the Parent Entity is the body which performs regular reviews of the internal financial reports of the whole Group for purposes of making major investment decisions, as it is the body which is responsible for allocating resources within the Group.

Inter-segment transaction prices are set under arm's length conditions, similarly as in relations with parties external to the Group.

Financial period for the 3 months ended 31 March 2012

	Production and resource base development	Equity-portfolio investments	Commerce and hedging	Corporate social responsibility - CSR	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
Revenue	5 980 537	741 546	1 014 970	36 761	3	(1 666 005)	6 107 812
of which:							
- external sales	5 503 633	429 185	156 758	23 421	3	(5 188)	6 107 812
- inter-segment sales	476 904	312 361	858 212	13 340	-	(1 660 817)	-
Interest income	125 534	1 364	115	181	-	(54 914)	72 280
Interest costs	(67 288)	(2 865)	(41)	(2)	-	55 956	(14 240)
Depreciation/Amortisation	(261 640)	(17 527)	(498)	(3 637)	(1 340)	42 328	(242 314)
Revaluation of provisions for employee benefits	(31 557)	110	-	-	(571)	-	(32 018)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	1 800	2	-	-	-	-	1 802
Income on measurement and realisation of derivatives	550 611	5 659	8 105	-	-	-	564 375
Costs on measurement and realisation of derivatives	(605 094)	(921)	(589)	-	-	-	(606 604)
Share of losses of associates	-	-	-	-	-	(86)	(86)
Profit before income tax	1 738 903	25 122	2 938	(5 894)	(3 302)	(21 209)	1 736 558
Income tax expense	(354 220)	(4 342)	(553)	(1)	643	(5 060)	(363 533)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	1 606	-	-	(1 606)	-	-
Profit for the period	1 384 683	22 386	2 385	(5 895)	(4 265)	(26 269)	1 373 025
At 31 March 2012							
Segment assets	83 532 006	2 238 800	267 615	225 066	734	(49 983 317)	36 280 904
Segment liabilities	34 674 943	644 848	171 740	68 760	(3 406)	(23 400 736)	12 156 149
Bank and other loans, debt securities and finance lease liabilities	22 546 762	190 850	9 886	17 305	-	(20 866 187)	1 898 616
Investments accounted for using the equity method	1 625 356	449	-	-	-	1 446 037	3 071 842
Financial period for the 3 months ended 31 March 2012							
Capital expenditure	358 553	18 635	3 317	5 690	-	(10 582)	375 613

*Adjustment – adjustment restating the amounts to the measurement principles according to International Financial Reporting Standards.

A. Interim condensed consolidated financial statements (continued)

Since 2005 the KGHM Polska Miedź S.A. Group has prepared its financial statements in accordance with International Financial Reporting Standards approved by the European Union. The companies of the Group which do not keep their book accounts in accordance with IFRS, restate data to the principles of International Financial Reporting Standards for the preparation of consolidated financial statements.

Details of adjustments restating the amounts shown in segments to the measurement principles of International Financial Reporting Standards at 31 March 2012 and for the period from 1 January 2012 to 31 March 2012.

	Profit or loss					Statement of financial position	
	Sales	Employee benefits	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(6 347)	(6 347)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(6 882)	(6 882)
Accounting for shares using the equity method	-	-	-	(305)	-	(17 167)	-
Perpetual usufruct of land	-	-	-	-	-	(15 641)	-
Deferred tax liability due to fair value measurement of assets	-	-	-	-	255	-	9 823
Fair value measurement of assets	-	-	(1 363)	(1 367)	-	46 821	-
Other	3	(571)	23	(1 630)	388	(50)	-
Total adjustment	3	(571)	(1 340)	(3 302)	643	734	(3 406)

A. Interim condensed consolidated financial statements (continued)

Information on business segments for the comparable period

	Financial period for the 3 months ended 31 March 2011						
	Production and resource base development	Equity-portfolio investments	Commerce and hedging	Corporate social responsibility - CSR	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
Revenue	5 117 297	759 874	918 990	31 757	47	(1 481 425)	5 346 540
of which:							
- external sales	4 675 423	499 350	153 155	19 644	47	(1 079)	5 346 540
- inter-segment sales	441 874	260 524	765 835	12 113	-	(1 480 346)	-
Interest income	38 169	2 007	157	121	-	(856)	39 598
Interest costs	(1 488)	(1 870)	(28)	(10)	-	742	(2 654)
Depreciation/Amortisation	(185 335)	(37 974)	(486)	(2 653)	(1 141)	(5 578)	(233 167)
Revaluation of provisions for employee benefits	3 475	2 187	-	-	-	(2 231)	3 431
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-	(1 050)	-	-	(3 607)	-	(4 657)
Income on measurement and realisation of derivatives	354 915	483	3 891	-	-	-	359 289
Costs on measurement and realisation of derivatives	(322 965)	(569)	(292)	-	-	-	(323 826)
Share of profit of associates	-	-	-	-	-	64 705	64 705
Profit before income tax	2 443 555	9 704	2 079	(3 959)	(478)	60 829	2 511 730
Income tax expense	(460 877)	(6 235)	(757)	-	(698)	(10 950)	(479 517)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	3 038	-	-	(3 038)	-	-
Profit for the period	1 982 678	6 507	1 322	(3 959)	(4 214)	49 879	2 032 213
	At 31 December 2011						
Segment assets	31 162 699	2 256 796	221 994	224 027	(339)	(3 298 161)	30 567 016
Segment liabilities	6 874 665	684 439	127 103	70 940	(6 771)	(569 970)	7 180 406
Bank and other loans, debt securities and finance lease liabilities	125 733	196 730	51	17 225	-	(41 782)	297 957
Investments accounted for using the equity method	-	449	-	-	-	23	472
	Financial period for the 3 months ended 31 March 2011						
Capital expenditure	220 949	40 514	1 252	4 984	-	(1 614)	266 085

*Adjustment – adjustment restating the amounts to the measurement principles according to International Financial Reporting Standards.

A. Interim condensed consolidated financial statements (continued)

Details of adjustments restating the amounts shown in segments to the measurement principles according to International Financial Reporting Standards at 31 December 2011 and for the period from 1 January 2011 to 31 March 2011:

	Profit or loss					Statement of financial position	
	Sales	Operating income	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(10 021)	(10 021)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(8 683)	(8 683)
Accounting for shares using the equity method	-	-	-	1 356	-	(15 536)	-
Perpetual usufruct of land	-	-	-	-	-	(15 641)	-
Deferred tax liability due to fair value measurement of assets	-	-	-	-	453	-	10 078
Fair value measurement of assets	-	-	(1 149)	(1 848)	-	48 176	-
Other	47	(3 607)	8	14	(1 151)	1 366	1 855
Total adjustment	47	(3 607)	(1 141)	(478)	(698)	(339)	(6 771)

A. Interim condensed consolidated financial statements (continued)

Revenues from sales of the Group - external clients with geographical breakdown

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Poland	1 627 616	1 512 434
Germany	1 154 887	1 097 611
Great Britain	978 562	525 299
China	498 594	382 228
The Czech Republic	393 939	423 691
France	317 162	198 370
Italy	262 734	350 367
Hungary	197 308	144 808
Switzerland	130 313	63 756
Austria	79 399	137 708
Belgium	68 399	68 220
Slovakia	22 955	19 654
Finland	9 847	15 736
Other countries	366 097	406 658
Total	6 107 812	5 346 540

Main customers

During the period from 1 January 2012 to 31 March 2012, the revenues from any customer exceeded 10% of the revenues of the Group.

During the period from 1 January 2011 to 31 March 2011, the revenues from any customer exceeded 10% of the revenues of the Group.

58.07% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 41.93% are located in other countries.

X. Effects of changes in the economic structure, including due to the combination of economic entities, to the takeover or sale of entities of the KGHM Polska Miedź S.A. Group, to long-term investments, or to the separation, restructurisation or to discontinuation of operation

Establishment of 0929260 B.C. UNLIMITED LIABILITY COMPANY

On 3 January 2012, Fermat 2 S.à r.l. (a 100% indirect subsidiary of KGHM Polska Miedź S.A.) established a company under the name 0929260 B.C. UNLIMITED LIABILITY COMPANY with its registered head office in Vancouver, Canada. The share capital amounts to CAD 100 and was paid for in cash.

The company was established as a part of the activities related to creating a holding structure to acquire the shares of KGHM INTERNATIONAL LTD.

Establishment of Fermat 3 S.à r.l.

On 15 February 2012, Fermat 1 S.à r.l. (a 100% subsidiary of KGHM Polska Miedź S.A.) established a company under the name Fermat 3 S.à r.l. with its registered head office in Luxembourg, in which, it acquired 20 000 shares with a nominal value of 1 USD/share for USD 20 thousand paid for in cash, representing 100% of the share capital of Fermat 3 S.à r.l.

The company was established as a part of the activities related to creating a holding structure to purchase the shares of KGHM INTERNATIONAL LTD.

A. Interim condensed consolidated financial statements (continued)

Purchase of KGHM INTERNATIONAL LTD. shares (formerly QUADRA FNX MINING LTD.)

On 5 March 2012, the KGHM Polska Miedź S.A. Group purchased from the former shareholders of Quadra FNX Mining Ltd. with its registered head office in Vancouver ("Quadra FNX") 100% of the shares of Quadra FNX.

The amount of the payment comprised:

- the purchase of ordinary shares for the amount of PLN 9 206.5 million,
- the purchase of warrants for the amount of PLN 39.8 million,
- the realisation of purchased warrants in the amount of PLN 307.9 million.

The shares were purchased in execution of the agreement dated 6 December 2011 signed by the Parent Entity of the KGHM Polska Miedź S.A. Group and Quadra FNX under a Plan of Arrangement recommended by the Board of Directors of Quadra FNX ("Agreement"). The shares purchased represent 100% of the share capital of Quadra FNX and 100% of the votes at the General Meeting of this company. 5 March 2012 was assumed as the date of obtaining control. Until the moment of obtaining control by the KGHM Polska Miedź S.A. Group, the Quadra FNX shares were listed on the Toronto Stock Exchange.

The operations of Quadra FNX (name changed to KGHM INTERNATIONAL LTD. from 12 March 2012) are focused on mine production of metals (including copper, nickel, gold, platinum, palladium) in the following mines: Robinson and Carlota in the USA, Franke in Chile, and McCreedy West, Levack (with the Morrison deposit) and Podolsky in Canada.

Activities also include greenfield mining projects at various stages of development, including Sierra Gorda in Chile (the company's major development project, involving one of the largest new copper and molybdenum deposits in the world), and the pursuit of exploration projects.

The signing of the Agreement is consistent with the strategy of the KGHM Polska Miedź S.A. Group aimed at increasing the resource base as well as copper production. The acquisition described above will increase annual mined copper production in the KGHM Polska Miedź S.A. Group by over 100 thousand tonnes beginning from 2012, and in 2018 by over 180 thousand tonnes, meaning a 25% increase versus the pre-acquisition level of production by the KGHM Polska Miedź S.A. Group. In addition, following the start-up of production in Sierra Gorda in Chile in 2014 and Victoria in Canada, the transaction will lead to a substantial decrease in average unit copper production costs in the entities directly and indirectly managed by KGHM Polska Miedź S.A.

In preparing the consolidated financial statements for the first quarter of 2012, the KGHM Polska Miedź S.A. Group performed a preliminary identification of assets and liabilities of the acquired business, and recognised them in the consolidated financial statements in provisionally-set amounts. The accounting data used was based on the consolidated financial statements of KGHM INTERNATIONAL LTD. at 29 February 2012, and was updated in terms of material operations to the state on 5 March 2012, i.e. to the date control was obtained. In the opinion of the Management Board of KGHM Polska Miedź S.A. for remaining questions there are no material differences between the date of preparation of the consolidated financial statements by KGHM INTERNATIONAL LTD. and the date control was obtained. Details on the preliminary estimated fair value of the net assets acquired, gains on a bargain purchase and the purchase price at the date of obtaining control are presented below (in PLN million):

A. Interim condensed consolidated financial statements (continued)

	Carrying amount according to the financial statements of the acquired Group	Fair value and other adjustments	Provisionally determined fair value
Mineral properties, plant and equipment	3 564.1	1 534.3	5 098.4
Investment in Sierra Gorda joint venture	1 633.9	1 446.1	3 080.0
Intangible assets due to signed services sales contracts	-	385.0	385.0
Mine closure financial assets	259.1	-	259.1
Inventories	673.5	141.1	814.6
Trade and other receivables	712.4	-	712.4
Cash and cash equivalents	2 761.4	-	2 761.4
Other assets	928.7	-	928.7
Senior notes	(1 531.4)	(76.8)	(1 608.2)
Liabilities due to Franco Nevada streaming contract	(583.5)	(87.2)	(670.7)
Provisions	(316.7)	12.9	(303.8)
Trade and other liabilities	(596.1)	178.7	(417.4)
Deferred tax	(415.1)	(1 028.1)	(1 443.2)
Acquired net assets	7 090.3	2 506.0	9 596.3
Provisionally determined gain on bargain purchase (*)			(42.1)
Purchase consideration			9 554.2
Paid in cash			9 554.2
Acquired cash and cash equivalents			(2 761.4)
Cash expense due to acquisition			6 792.8

(*) To avoid volatility of the financial result for individual quarters of 2012 during preliminary accounting of this acquisition, the preliminary gain on a bargain purchase set at this stage was not recognised in the financial result, due to the substantial risk of changes in the amount of this gain. The provisionally-set gain on a bargain purchase was accounted for as a decrease of the largest item in assets, „Mineral properties, plant and equipment”, as the item most exposed to further adjustments of changes in value due to completion of the process of determining the fair value of the acquired net assets.

Items adjusted to fair value	Description	Method/key assumptions
Mineral properties, plant and equipment	Assets held by acquired entities	Fair value set by the discounted cash flow method
Investment in Sierra Gorda joint venture	Investment in joint venture	Fair value set by the discounted cash flow method
Intangible assets due to signed services sales contracts	Recognised intangible assets	Fair value set by the discounted cash flow method
Inventories	Inventories held by acquired entities	Method based on net realisable value (assuming the rational level of profit on sales) less the costs necessary to make the sale
Issued senior notes	Senior notes for financing a share of the Sierra Gorda project	Method based on determining the amount of debt portion together with adjustment due to issuer options
Liabilities due to Franco Nevada streaming contract	Recognised liabilities due to supply of metal (deferred income in this regard was presented in the financial statements of the acquired Group)	Fair value set by the discounted cash flow method (using contractual clauses involving contracted metals prices and forecast metals market price)
Provisions	Provision for site closure and other	Adjustment to the applied discount rate
Trade and other liabilities	Derivatives related to the supply of water and hydrochloric acid	Forwards, fair value equal to zero at the date of separation
Deferred tax	Recognised deferred tax from adjustment to fair value	Average assumed rate of 25%

A. Interim condensed consolidated financial statements (continued)

Due to the complexity of the process of identifying the net assets of the acquired business, their measurement process at the date control was obtained will be completed no later than within 12 months of the date they were acquired.

Costs related to the acquisition incurred to 31 March 2012 were recognised in the administrative expenses in the amount of PLN 78 378 thousand, of which PLN 16 088 thousand was settled in 2011, while PLN 62 290 thousand in the first quarter of 2012.

Revenues of the KGHM INTERNATIONAL Group recognised in the consolidated statement of comprehensive income of the KGHM Polska Miedź S.A. Group for the period from the moment of acquisition to 31 March 2012 amounted to PLN 339 774 thousand, while the loss for this same period amounted to PLN 11 753 thousand. Had the KGHM INTERNATIONAL Group been acquired on 1 January 2012, the consolidated statement of comprehensive income of the KGHM Polska Miedź S.A. Group would have shown revenues of PLN 6 800 279 thousand and a profit for the period of PLN 1 487 188 thousand.

XI. Subsequent events

Changes in the Supervisory Board

On 24 April 2012 Mariusz Kolwas submitted his resignation from serving as a Member of the Supervisory Board of KGHM Polska Miedź S.A.

The Extraordinary General Meeting of KGHM Polska Miedź S.A. on 25 April 2012 dismissed from the Supervisory Board of KGHM Polska Miedź S.A. the following persons:

1. Jacek Kuciński,
2. Marek Panfil.

The Extraordinary General Meeting appointed to the Supervisory Board of the Company the following persons:

1. Paweł Białek,
2. Dariusz Krawczyk,
3. Ireneusz Piecuch.

Exercise of option to purchase a further 29% of the shares of KGHM AJAX MINING INC.

On 2 April 2012 KGHM Polska Miedź S.A. exercised the option to purchase 29% of the shares of KGHM AJAX MINING INC.

Detailed information on the transaction is presented in note A.V.

B. Other information to the consolidated quarterly report

Position of the Management Board with respect to the possibility of achieving previously-published forecasts of results for 2012, in light of the results presented in this consolidated quarterly report relative to forecasted results

The Management Board of KGHM Polska Miedź S.A. has not published a forecast of Group results.

In the current report dated 27 March 2012, KGHM Polska Miedź S.A. published a forecast of Company results for 2012. In accordance with the above-mentioned forecast, KGHM Polska Miedź S.A. assumed achievement of revenues from sales in 2012 at the level of PLN 19 418 million, and profit for the period at the level of PLN 3 804 million.

The revenues from sales achieved in the first quarter in the amount of PLN 5 217 million and profit for the period of PLN 1 405 million are at a level which does not justify a correction to the forecast.

Shareholders holding at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. as at the date of publication of this consolidated quarterly report, and changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A. in the period since publication of the prior consolidated quarterly report

At the date of publication of the consolidated report for the fourth quarter of 2011, i.e. at 29 February 2012, the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. was the State Treasury – which owned 63 589 900 shares of KGHM Polska Miedź S.A., representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A. (based on an announcement dated 12 January 2010).

Following publication of the consolidated report for the fourth quarter of 2011, KGHM Polska Miedź S.A. was not informed by any shareholder of any change in the ownership structure of a significant block of shares.

At the date of preparation of this report, based on information held by KGHM Polska Miedź S.A., the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. remains the State Treasury, which holds 63 589 900 shares of KGHM Polska Miedź S.A. representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A.

Ownership of shares of KGHM Polska Miedź S.A. or of rights to them by management or supervisory personnel of KGHM Polska Miedź S.A., as at the date of publication of the consolidated quarterly report, based on information held by KGHM Polska Miedź S.A. Changes in ownership during the period following publication of the prior consolidated quarterly report

The Members of the Management Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the fourth quarter of 2011, i.e. at 29 February 2012, did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A. at the date of preparation of this report this did not change.

The Members of the Supervisory Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the fourth quarter of 2011, i.e. at 29 February 2012, did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A. at the date of preparation of this report this did not change.

List of proceedings being pursued in a court, an appropriate body for arbitration, or in a body of public administration

At 31 March 2012, the total value of on-going proceedings before courts, bodies appropriate for arbitration proceedings and bodies of public administration respecting liabilities and debtors, of KGHM Polska Miedź S.A. and subsidiaries, did not represent at least 10% of the equity of KGHM Polska Miedź S.A.

Information on single or multiple transactions entered into by KGHM Polska Miedź S.A. or its subsidiary with related entities, if separately or jointly they are significant and were entered into under other than arm's length conditions

In the first quarter of 2012, the subsidiary Fermat 1 S.à r.l., of which KGHM Polska Miedź S.A. owns 100% of the shares, entered into a significant transaction under other than arm's length conditions with Fermat 3 S.à r.l. – a company in which Fermat 1 S.à r.l. owns 100% of the shares. This transaction was entered into on 5 March 2012 and relates to the granting by Fermat 1 S.à r.l. of an interest-free loan to Fermat 3 S.à r.l. in the amount of USD 1 873 100 thousand (PLN 5 873 105 thousand at the average exchange rate of the National Bank of Poland from the transaction date). This loan was granted for the purpose of optimising the structure for the purchase of Quadra FNX Mining Ltd.

B. Other information to the consolidated quarterly report (continued)

Information on the granting by KGHM Polska Miedź S.A. or by its subsidiaries of collateral on credit or loans, or of guarantees – jointly to a single entity or subsidiary thereof if the total value of such collateral or guarantees represents the equivalent of at least 10% of the equity of KGHM Polska Miedź S.A.

During the period from 1 January 2012 to 31 March 2012 neither KGHM Polska Miedź S.A. nor its subsidiaries granted collateral on credit or loans, nor did they grant guarantees to a single entity or subsidiary thereof whose total value would represent at least 10% of the equity of KGHM Polska Miedź S.A.

Other information which in the opinion of KGHM Polska Miedź S.A. is significant for the assessment of personnel situation, assets, finances and the financial result and any changes thereto, and information which is significant for assessing the ability to perform obligations

In the first quarter of 2012 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets and financial position, the financial result of the Group and any changes thereto, or any events significant for assessing the personnel situation and the ability to meet obligations.

Factors which will impact the financial results of the Group, at least in the following quarter

The largest impact on the results of the KGHM Polska Miedź S.A. Group is from the Parent Entity and, to a lesser extent, from the KGHM INTERNATIONAL LTD. Group.

As a result, through the Parent Entity, the most significant factors impacting the results of the Group, particularly in the following quarter, will be:

- copper and silver prices on the metals markets,
- the USD/PLN exchange rate,
- electrolytic copper production costs, and
- the effects of the hedging policy being realised.

Under conditions involving a high level of hedging of future revenues of KGHM Polska Miedź S.A., the continued high volatility in metals prices and in the exchange rate has a substantial impact on the measurement of derivatives at the reporting date, and consequently on the level of profit.

In addition, the financial results of KGHM Polska Miedź S.A., starting from the second quarter of 2012, will be significantly impacted by the introduction of the minerals extraction tax. Assuming realisation of the Budget assumptions for 2012, the amount of this tax for 2012 will amount to PLN 1.3 billion.

The most significant factors impacting the results of the KGHM Polska Miedź S.A. Group, through the KGHM INTERNATIONAL LTD. Group, particularly in the following quarter, will be:

- copper, nickel and gold prices on the metals markets,
- the CLP/USD, CAD/USD and USD/PLN exchange rates, and
- mined copper production costs.

C. Quarterly financial information of KGHM Polska Miedź S.A.

	Note	At	
		31 March 2012	31 December 2011
Interim statement of financial position			
Assets			
Non-current assets			
Property, plant and equipment	C.I.1	7 395 674	7 277 903
Intangible assets		153 606	150 777
Shares and investment certificates in subsidiaries		11 509 854	2 012 209
Deferred tax assets		356 129	168 462
Available-for-sale financial assets		947 994	992 068
Mine closure financial assets		136 150	111 665
Derivatives		861 978	899 400
Trade and other receivables		85 648	84 221
		21 447 033	11 696 705
Current assets			
Inventories		2 583 244	2 355 741
Trade and other receivables		1 669 144	1 502 944
Mine closure financial assets		1 851	2 147
Derivatives		441 982	859 653
Cash and cash equivalents		4 387 407	12 835 999
		9 083 628	17 556 484
Total assets		30 530 661	29 253 189
Equity and liabilities			
Equity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		134 032	535 673
Retained earnings		22 005 229	20 599 838
Total equity		24 139 261	23 135 511
Liabilities			
Non-current liabilities			
Trade and other payables		47 409	11 579
Borrowings and finance lease liabilities		19	35
Derivatives		456 117	538 320
Employee benefits liabilities		1 247 769	1 216 355
Provisions for other liabilities and charges	C. I. 2	512 763	483 657
		2 264 077	2 249 946
Current liabilities			
Trade and other payables		1 938 266	1 827 536
Borrowings and finance lease liabilities		60	58
Current corporate tax liabilities		1 815 133	1 587 847
Derivatives		252 624	330 347
Employee benefits liabilities		107 663	107 471
Provisions for other liabilities and charges	C. I. 2	13 577	14 473
		4 127 323	3 867 732
Total liabilities		6 391 400	6 117 678
Total equity and liabilities		30 530 661	29 253 189

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

Interim statement of comprehensive income

	Note	Financial period	
		for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Sales	C. I. 3	5 216 578	4 773 488
Cost of sales	C. I. 4	(2 685 176)	(2 216 551)
Gross profit		2 531 402	2 556 937
Selling costs	C. I. 4	(24 971)	(27 951)
Administrative expenses	C. I. 4	(167 657)	(149 019)
Other operating income	C. I. 5	632 003	410 591
Other operating costs	C. I. 6	(1 213 462)	(368 988)
Operating profit		1 757 315	2 421 570
Finance costs	C. I. 7	(8 284)	(8 042)
Profit before income tax		1 749 031	2 413 528
Income tax expense		(343 640)	(455 134)
Profit for the period		1 405 391	1 958 394
OTHER COMPREHENSIVE INCOME DUE TO:			
Available-for-sale financial assets		(44 074)	(26 839)
Cash flow hedging instruments		(451 779)	64 523
Income tax related to items presented in other comprehensive income		94 212	(7 160)
Other comprehensive net income for the financial period		(401 641)	30 524
TOTAL COMPREHENSIVE INCOME		1 003 750	1 988 918
Earnings per share for the reporting period (in PLN per share)			
- basic		7.03	9.79
- diluted		7.03	9.79

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

Interim statement of changes in equity

	Accumulated other comprehensive income due to:				Total equity
	Share capital	Available-for- sale financial assets	Cash flow hedging instruments	Retained earnings	
At 1 January 2012	2 000 000	(38 610)	574 283	20 599 838	23 135 511
Total comprehensive income	-	(35 700)	(365 941)	1 405 391	1 003 750
Profit for the period	-	-	-	1 405 391	1 405 391
Other comprehensive income	-	(35 700)	(365 941)	-	(401 641)
At 31 March 2012	2 000 000	(74 310)	208 342	22 005 229	24 139 261
At 1 January 2011	2 000 000	121 385	89 774	12 245 318	14 456 477
Total comprehensive income	-	(21 740)	52 264	1 958 394	1 988 918
Profit for the period	-	-	-	1 958 394	1 958 394
Other comprehensive income	-	(21 740)	52 264	-	30 524
At 31 March 2011	2 000 000	99 645	142 038	14 203 712	16 445 395

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

Interim statement of cash flows

	Note	Financial period	
		for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Cash flow from operating activities			
Profit for the period		1 405 391	1 958 394
Adjustments to profit for the period	C. I. 8	1 074 728	134 895
Income tax paid		(209 809)	(641 893)
Net cash generated from operating activities		2 270 310	1 451 396
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(9 388 996)	(128 088)
Purchase of available-for-sale financial assets		-	(1 048 495)
Proceeds from sale of available-for-sale financial assets		-	510 314
Purchase of property, plant and equipment and intangible assets		(438 591)	(333 506)
Proceeds from sale of property, plant and equipment and intangible assets		2 120	854
Purchase of mine closure financial assets		(24 188)	(22 410)
Establishment of deposits		-	(450 000)
Termination of deposits		-	350 000
Loans granted		(65)	-
Proceeds from repayments of loans granted		1 257	1 258
Interest received		715	4 578
Expenses due to advances granted for the purchase of property, plant and equipment and intangible assets		(6 308)	(33 009)
Other investment expenses		(858)	(762)
Net cash used in investing activities		(9 854 914)	(1 149 266)
Cash flow from financing activities			
Payments of liabilities due to finance leases		(14)	(12)
Interest paid		(2)	(3)
Net cash used in financing activities		(16)	(15)
Total net cash flow			
		(7 584 620)	302 115
Exchange (losses)/gains on cash and cash equivalents		(863 972)	1 582
Movements in cash and cash equivalents		(8 448 592)	303 697
Cash and cash equivalents at beginning of the period		12 835 999	2 595 529
Cash and cash equivalents at end of the period		4 387 407	2 899 226
including restricted cash and cash equivalents		3 311	16

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

Selected explanatory data

I. Additional notes

1. Changes in property, plant and equipment

	Land	Buildings	Technical equipment and machinery	Motor vehicles	Other fixed assets	Fixed assets under construction	Total
At 1 January 2012							
Gross carrying amount	17 637	6 517 116	6 557 355	170 752	63 579	1 748 214	15 074 653
Accumulated depreciation	-	(3 851 098)	(3 788 080)	(105 011)	(48 475)	-	(7 792 664)
Impairment losses	-	-	(811)	(328)	-	(2 947)	(4 086)
Net carrying amount	17 637	2 666 018	2 768 464	65 413	15 104	1 745 267	7 277 903
Changes in the first quarter of 2012							
Settlement of fixed assets under construction	-	39 904	200 543	4 892	718	(246 057)	-
Self-constructed	-	-	-	-	-	8 809	8 809
Purchase	-	-	-	-	-	270 692	270 692
Depreciation	-	(41 893)	(149 502)	(2 684)	(1 074)	-	(195 153)
Sale, decommissioning/scrapping or write off	-	(473)	(861)	(4)	(1)	-	(1 339)
Change in amount of provisions for costs of decommissioning	-	34 761	-	-	-	-	34 761
Other changes	-	-	-	-	-	1	1
At 31 March 2012							
Gross carrying amount	17 637	6 586 366	6 672 460	174 692	63 816	1 781 659	15 296 630
Accumulated depreciation	-	(3 888 049)	(3 853 005)	(107 075)	(49 069)	-	(7 897 198)
Impairment losses	-	-	(811)	-	-	(2 947)	(3 758)
Net carrying amount	17 637	2 698 317	2 818 644	67 617	14 747	1 778 712	7 395 674
	Land	Buildings	Technical equipment and machinery	Motor vehicles	Other fixed assets	Fixed assets under construction	Total
At 1 January 2011							
Gross carrying amount	16 093	6 355 195	6 111 776	155 341	63 087	1 239 639	13 941 131
Accumulated depreciation	-	(3 709 913)	(3 525 462)	(99 540)	(48 697)	-	(7 383 612)
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	(6 408)
Net carrying amount	16 093	2 645 282	2 583 179	55 474	14 390	1 236 693	6 551 111
Changes in 2011							
Settlement of fixed assets under construction	1 590	219 775	686 860	20 138	5 052	(933 415)	-
Self-constructed	-	-	-	-	-	24 132	24 132
Purchase	-	-	-	-	-	1 417 772	1 417 772
Depreciation	-	(154 921)	(492 705)	(10 203)	(4 320)	-	(662 149)
Sale, decommissioning/scrapping or write off	-	(3 207)	(9 000)	-	(18)	-	(12 225)
Change in amount of provisions for costs of decommissioning	-	(41 253)	-	-	-	-	(41 253)
Other changes	(46)	342	130	4	-	85	515
At 31 December 2011							
Gross carrying amount	17 637	6 517 116	6 557 355	170 752	63 579	1 748 214	15 074 653
Accumulated depreciation	-	(3 851 098)	(3 788 080)	(105 011)	(48 475)	-	(7 792 664)
Impairment losses	-	-	(811)	(328)	-	(2 947)	(4 086)
Net carrying amount	17 637	2 666 018	2 768 464	65 413	15 104	1 745 267	7 277 903

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

Capital commitments not recognised in the interim statement of financial position

	At	
	31 March 2012	31 December 2011
Purchase of property, plant and equipment	1 180 772	1 367 401
Purchase of intangible assets	18 261	19 211
Total capital commitments	1 199 033	1 386 612

2. Changes in provisions for other liabilities and charges

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2012	498 130	475 606	4 919	2 324	15 281
Increase	44 813	43 690	383	126	614
Decrease	(16 603)	(7 888)	(181)	(1 009)	(7 525)
Provisions at 31 March 2012	526 340	511 408	5 121	1 441	8 370
of which:					
Non-current provisions	512 763	504 060	2 763	-	5 940
Current provisions	13 577	7 348	2 358	1 441	2 430

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2011	535 533	514 006	5 600	1 975	13 952
Increase	82 538	72 722	2 217	2 688	4 911
Decrease	(119 941)	(111 122)	(2 898)	(2 339)	(3 582)
Provisions at 31 December 2011	498 130	475 606	4 919	2 324	15 281
of which:					
Non-current provisions	483 657	467 680	2 730	-	13 247
Current provisions	14 473	7 926	2 189	2 324	2 034

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

3. Sales

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2012	31 March 2011
Copper, precious metals, smelter by-products	5 108 771	4 705 881
Salt	13 107	19 481
Services	16 315	14 976
Other finished goods	2 864	3 085
Merchandise	58 947	17 614
Scrap and production materials	16 538	12 421
Other materials	36	30
Total	5 216 578	4 773 488

4. Expenses by nature

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2012	31 March 2011
Depreciation of property, plant and equipment and amortisation of intangible assets	197 956	166 742
Employee benefit expenses	757 186	670 237
Materials and energy	1 605 318	1 512 839
External services	305 514	265 667
Taxes and charges	75 210	77 786
Advertising costs and representation expenses	2 559	5 722
Property and personal insurance	5 857	4 821
Research and development costs not capitalised in intangible assets	228	50
Other costs, of which:	5 752	3 620
Write-down of inventories	50	106
Reversal of write-down of inventories	(44)	(13)
Reversal of allowance for impairment of receivables	-	(854)
Losses from the disposal of financial instruments	2 454	734
Other operating costs	3 292	3 647
Total expenses by nature	2 955 580	2 707 484
Cost of merchandise and materials sold (+)	71 425	27 077
Change in inventories of finished goods and work in progress (+/-)	(107 736)	(310 280)
Cost of manufacturing products for internal use (-)	(41 465)	(30 760)
Total cost of sales, selling costs and administrative expenses	2 877 804	2 393 521

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

5. Other operating income

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Income and gains on financial instruments, classified under other operating activities, resulting from:	615 341	395 931
Measurement and realisation of derivatives	550 611	354 915
Gains from disposal	354	6 480
Gains from measurement on non-current liabilities	610	51
Interest	63 765	34 460
Reversal of allowance for impairment of other receivables	1	25
Non-financial interest	1	2 003
Reversal of allowance for impairment of non-financial receivables	429	375
Release of unused provisions due to:	9 479	3 069
Decommissioning of mines	862	2 382
Disputed issues, pending court proceedings	1 009	564
Liabilities towards local municipalities (Gminas) due to signed donations agreement	7 427	80
Other	181	43
Penalties and compensation	1 615	6 717
Other operating income/gains	5 138	2 496
Total other operating income	632 003	410 591

6. Other operating costs

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Costs and losses on financial instruments, classified under other operating activities, resulting from:	1 120 348	347 248
Measurement and realisation of derivatives	597 459	322 965
Interest	92	38
Foreign exchange losses	522 793	21 009
Allowance for impairment of loans	4	3
Allowances for impairment of other receivables	-	3 233
Losses on the sale of property, plant and equipment	77	1 337
Donations granted	85 858	12 517
Interest on overdue non-financial liabilities	70	14
Provisions recognised due to:	1 608	664
Decommissioning of mines	639	22
Scrapping of property, plant and equipment and fixed assets under construction	350	-
Disputed issues, pending court proceedings	125	552
Other	494	90
Contributions to a voluntary organisation	3 276	2 847
Other operating costs/losses	2 225	4 361
Total other operating costs	1 213 462	368 988

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

7. Finance costs

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Interest expense	2	(104)
Loans	-	(12)
Finance leases	2	(92)
Foreign exchange losses on borrowings	-	162
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 236	7 919
Other financial costs	46	65
Total finance costs	8 284	8 042

8. Adjustments to profit for the period in the interim statement of cash flows

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Income tax expense	343 640	455 134
Depreciation/amortisation	197 956	166 742
Interest and share in profits (dividends)	89	(6 890)
Foreign exchange (gains)/losses	864 138	(799)
Change in provisions	25 056	(5 936)
Change in derivatives	(103 268)	(126 004)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(53 344)	(21 407)
Other adjustments	65	(5 141)
Changes in working capital:	(199 604)	(320 804)
Inventories	(227 503)	(376 075)
Trade and other receivables	(200 794)	137 814
Trade and other payables	228 693	(82 543)
Total adjustments to profit for the period	1 074 728	134 895

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

9. Related entities transactions

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Sales		
To subsidiaries	173 736	183 455
To other related entities	-	132
Total sales	173 736	183 587

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Purchases		
From subsidiaries	1 383 453	1 205 306
From other related entities	-	444
Total purchase	1 383 453	1 205 750

	At	
	31 March 2012	31 December 2011
Trade receivables from subsidiaries	280 557	269 922

	At	
	31 March 2012	31 December 2011
Trade payables towards subsidiaries	398 248	431 871

During the current quarter, no individual transactions were identified between KGHM Polska Miedź S.A. and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, which would be considered as significant in terms of unusual scope and amount.

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by the Company of materials and services to meet the needs of its current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 187 183 thousand (for the period from 1 January to 31 March 2011 – PLN 140 613 thousand), the unsettled balance of liabilities from these transactions at 31 March 2012 amounted to PLN 41 866 thousand (at 31 December 2011: PLN 45 968 thousand), and the unsettled balance of receivables at 31 March 2012 amounted to PLN 2 745 thousand (at 31 December 2011: PLN 1 414 thousand). Revenues from sales from State Treasury companies amounted to PLN 13 597 thousand (at 31 March 2011, PLN 14 958 thousand).

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

Remuneration of the Supervisory Board	For the period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	380	239

Remuneration of the Management Board	For the period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Salaries and other current employee benefits	769	926

10. Contingent assets and liabilities

	At 31 March 2012	Increase/(decrease) since the end of the last financial year
Contingent assets	366 358	(6 865)
Guarantees received	145 212	(21 806)
Disputed State budget issues	7 093	-
Promissory notes receivables	90 445	13 438
Inventions, implementation of projects	37 412	817
Real estate tax on mining facilities	86 179	690
Other	17	(4)
Contingent liabilities	296 681	155 251
Guarantees and collateral	5 000	-
Disputed issues, pending court proceedings	13 621	(148)
Preventive safety measures in respect of mine-related damages	8 000	-
Liabilities due to implementation of projects, inventions	117 463	3 496
Liabilities towards local municipalities (Gminas) due to signed donations agreement	151 912	151 912
Other	685	(9)

The value of contingent assets and liabilities was determined based on estimates.

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

II. Items affecting assets, liabilities, equity, profit or loss or cash flows, which are unusual as respects their type, amount or degree of influence

1. Significant achievements or failures during the reporting period, together with the most important related events.

Purchase of KGHM INTERNATIONAL LTD. shares (formerly QUADRA FNX MINING LTD.)

On 5 March 2012 KGHM Polska Miedź S.A. purchased 100% of the shares of KGHM INTERNATIONAL LTD. through a Group structure created to tax optimisation of this transaction.

(Detailed information on the purchase transaction is presented in note A.V.)

During the first quarter of 2012, mainly due to realisation of the above transaction, there was a significant change in the Company's assets structure, consisting of an increase in non-current assets in the item shares and investment certificates in subsidiaries in the amount of PLN 9 421 297 thousand, and a decrease in current assets in the item cash and cash equivalents in the amount of PLN 9 364 364 thousand.

Information on the coming into force of the Act on the minerals extraction tax

Starting from 18 April 2012, KGHM Polska Miedź S.A. is obligated to pay the minerals extraction tax, which will result in a substantial tax charge against the Company's results. Assuming that the Budget for 2012 will be achieved, the amount of this tax due for this year will amount to PLN 1.3 billion.

Within the specified time, the Company submitted to the Head of the Customs Office in Legnica a declaration, together with the requisite documentation, for the purpose of conducting an official review.

The mineral extraction tax, calculated from the amount of copper and silver contained in produced concentrate, will be accounted for under manufacturing costs. This tax is not deductible, and therefore does not decrease the taxable base.

Agreement with municipalities (gminas) on the granting of financial support to local governments due to the impact of the Company's operations

On 7 March 2012, the Company entered into agreements with the municipalities (gminas) of Grębocice, Polkowice and Rudna (hereinafter "Gminas"), with respect to the granting of financial support by KGHM Polska Miedź S.A. to the Gminas, with the simultaneous commitment by the Gminas to cooperation with respect to the Company's activities, and in particular with respect to enabling the planned expansion of the Żelazny Most Mining Waste Treatment Facility (MWTF).

In accordance with the agreements entered into, the Company anticipates financial support for the Gminas in the years 2012-2042 in the total amount of PLN 258 million, of which PLN 72 million charged other operating activities in the first quarter of 2012 (execution of these liabilities will occur in the years 2012-2014).

The Żelazny Most MWTF operated by KGHM Polska Miedź S.A. is currently the only site at which waste from the floatation of copper ore from the Company's mines is deposited, and therefore this site represents a crucial element in the production chain, without which the production of metals would be impossible. Currently the Żelazny Most MWTF is at the development stage, consisting of formation of the retention walls to a crown height of 180 m above sea level, which ensures the possibility of storing waste to the year 2016. Expansion of the facility is planned in the years 2012-2042 to a crown height of 195 m above sea level.

The adopted solution requires changes to the Study into the conditions and directions of terrain management, followed by changes to the local terrain management plans for the Gminas of Rudna, Polkowice and Grębocice. These planning procedures are being conducted by local governmental bodies, with community participation and are finalised by resolutions of the Municipal Councils of the Gminas.

The planned expansion of the Żelazny Most MWTF will have environmental impact, primarily due to the need to exclude a total of over 600 ha of land from forestry-related production.

The Agreements entered into are aimed at satisfying the interests of all interested parties and at effectively resolving the question of waste management in KGHM Polska Miedź S.A., whilst simultaneously minimising the environmental and social impact of the aforementioned plans.

Signing of additional protocols to the Collective Labour Agreement

On 21 March 2012, the Management Board of KGHM Polska Miedź S.A. and the trade unions signed Additional Protocol No. 13 to the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A., increasing the table of basic wages by 2.45% from 1 January 2012 and introducing to the Agreement a clause respecting the functioning of the Employee Retirement Plan.

Process of obtaining licenses for mining areas currently being worked

In December 2013 the 20-year licenses for the extraction of copper ore from 5 of the mining areas currently being worked by KGHM Polska Miedź S.A. will expire. As a result, the Company has submitted applications for the granting of licenses for these areas for the maximum period provided for by law, which is 50 years.

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

As part of the procedure to obtain new mining licenses, during the period since publication of the report for the fourth quarter of 2011, i.e. since 29 February 2012, supplementary information to the geological documentation of the aforementioned deposits has been prepared and approved by the license-granting body (the Minister of the Environment). Based on this information, deposit management projects have been prepared, representing a basic element of the license applications.

Following supplementation of this information with the concerns voiced by the municipalities where the aforementioned mining operations are conducted, environmental impact reports were submitted to the Regional Directorate for Environmental Protection (RDEP). The Company expects that the decisions will be issued at the turn of June-July 2012. Due to the importance of these efforts, the RDEP for Lower Silesia forwarded the reports for comment by the National Environmental Impact Assessment Commission, which is the opinion-issuing and consulting body of the General Directorate for Environmental Protection (GDEP).

KGHM Polska Miedź S.A. signed an agreement with the State Treasury, represented by the Minister of the Environment for the paid use of the right to geological information. An agreement was signed with the Gminas of Rudna and Lubin (city gmina) involving the scope of required changes to the planning documents of the gminas. Currently under development are appendices to the applications, required by the Act on Geology and Mining.

Submission of these applications is contingent on the prior receipt of positive environmental decisions, and is planned for August 2012. There are presently no delays nor any indications of any threat in the process of receiving the new licenses.

Other significant events covered by current reports

Company bodies

The Extraordinary General Meeting of KGHM Polska Miedź S.A. on 19 January 2012 dismissed from the Supervisory Board of KGHM Polska Miedź S.A. the following persons: Franciszek Adamczyk, Marcin Dyl, Arkadiusz Kawecki, Jan Rymarczyk and Marzenna Weresa and appointed to the Supervisory Board of the Company the following persons: Krzysztof Kaczmarczyk, Mariusz Kolwas, Aleksandra Magaczewska, Robert Oliwa and Jacek Poświata. The Extraordinary General Meeting of KGHM Polska Miedź S.A. did not adopt a resolution regarding granting approval for the purchase of Company own shares for their redemption, and the creation of reserve capital for the purchase of own shares.

Mariusz Kolwas, Secretary of the Supervisory Board, submitted his resignation from serving as a Member of the Supervisory Board of the Company as of 24 April 2012.

The Extraordinary General Meeting of KGHM Polska Miedź S.A. convened on 25 April 2012 dismissed from the Supervisory Board Jacek Kuciński and Marek Panfil and appointed to the Supervisory Board the following persons: Paweł Białek, Dariusz Krawczyk and Ireneusz Piecuch.

Forecast of results for 2012

The Supervisory Board of the Company, at its meeting on 27 March 2012, approved the Company Budget for 2012 submitted by the Management Board. The bases for preparation of the Budget were the results for 2011 and the assumptions of individual operating plans. This forecast of Company results, which is based on the assumptions used in the approved Budget, assumes the achievement in 2012 of revenues from sales of PLN 19 418 million and profit for the period of PLN 3 804 million.

2. Measurement of financial and tangible assets

Financial assets

Due to the measurement and settlement of future cash flow hedging transactions in an amount reflecting the effective portion of the hedge, after reflecting the results in deferred tax, other comprehensive income was decreased in the current quarter by PLN 365 941 thousand.

Due to the fair value measurement and settlement of available-for-sale financial assets, after reflecting the results in deferred tax, other comprehensive income was decreased in the current quarter by PLN 35 700 thousand.

Due to the realisation and measurement of derivatives to the level of fair value there was an increase in the profit for the current quarter of PLN 6 496 thousand (of which: as an increase in revenues from sales, PLN 53 344 thousand and as a decrease in the result on other operating activities in the amount of PLN 46 848 thousand). For detailed information on derivatives see part C point II 5 Financial risk management.

There was no transfer by the Company of financial instruments by fair value hierarchy between individual levels in either the reporting or the comparative periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these assets.

Property, plant and equipment and receivables

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, operating costs were increased in the current quarter by PLN 197 956 thousand.

The measurement of other assets did not significantly impact the current period profit.

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

3. Type and amounts of changes in estimates

Provisions

The effects of revaluation or recognition of estimates of future liabilities (provisions) were settled in the financial result of the current quarter, and in particular:

- 3.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in the provision and a decrease in profit in the amount of PLN 31 605 thousand (after reflecting the results in deferred tax a decrease in profit in the amount of PLN 25 600 thousand),
- 3.2 provision for future costs of decommissioning (restoration) of the Company's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 42 715 thousand which was settled as a decrease in profit in the amount of PLN 7 954 thousand and as an increase of property, plant and equipment in the amount of PLN 34 761 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 3 686 thousand,
- 3.3 provisions for future employee remuneration costs together with charges in the amount of PLN 190 293 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(provision at 31 March 2012 amounted to PLN 481 577 thousand)

The revaluation and recognition of other provisions for liabilities did not significantly impact the current period profit.

Deferred tax

The result of differences between the carrying amount and the tax base of statement of financial position items is a change in the estimated value of the deferred tax asset and the deferred tax liability.

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 356 129 thousand.

(after offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at 31 December 2011 was set at PLN 168 462 thousand).

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 178 291 thousand, which was settled:

- as an increase in profit, PLN 169 917 thousand,
including due to measurement of hedging transactions, PLN 121 065 thousand,
- as an increase in other comprehensive income
due to measurement of available-for-sale
financial assets PLN 8 374 thousand.

There was a decrease in the deferred tax liability in the current quarter in the amount of PLN 9 375 thousand, of which the following was accounted for:

- as a decrease in profit, PLN 76 462 thousand,
of which due to measurement of hedging transactions, PLN 73 164 thousand,
- as an increase in other comprehensive income
due to measurement of hedging instruments PLN 85 838 thousand.

4. Factors and events, in particular those of an unusual nature, having an impact on profit achieved by the Company.

Production and financial results in the first quarter of 2012

In the first quarter of 2012, KGHM Polska Miedź S.A. produced 110 thousand t of copper in concentrate. The electrolytic copper production amounted to 134 thousand t, including 102 thousand t from own concentrate and 335 t of metallic silver.

The most significant factors impacting the value of sales during the period were macroeconomic factors:

- copper prices on the London Metal Exchange (LME) at the average level of 8 310 USD/t,
- an average exchange rate of 3.22 PLN/USD,
- average silver prices on the London Bullion Market Association (LBMA) of 32.63 USD/troz, and
- the sales volume of copper and copper products (140 thousand t), and of silver (322 t).

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

The revenues from sales achieved of PLN 5 216 578 thousand were higher than those achieved in the first quarter of 2011 by PLN 443 090 thousand, i.e. by 9%. The increase in sales was mainly due to:

- more favourable exchange rate (a change from 2.88 PLN/USD to 3.22 PLN/USD),
- increase in volume of sale of copper (from 133 thousand t to 140 thousand t) and silver (from 263 t to 322 t),

along with a decrease in copper price (from 9 646 USD/t to 8 310 USD/t) reducing revenues from sales.

In the first quarter of 2012, revenues from the sale of copper and copper products represented 74%, and silver 21% (in the comparable period of 2011 respectively: 79% and 17%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the first quarter of 2012 amounted to PLN 2 877 804 thousand and were higher versus the comparable prior period by PLN 484 283 thousand, i.e. by 20%, with a higher volume of copper products sales and metallic silver sales respectively by 5% and 23%.

Expenses by nature in the first quarter of 2012 amounted to PLN 2 955 580 thousand, and after excluding purchased copper-bearing materials amounted to PLN 1 949 495 thousand and were higher than those in the comparable prior year period by 13% (i.e. by PLN 222 885 thousand). The change in the level of expenses by nature was mainly due to increase in the following:

- labour costs by PLN 86 949 thousand (an increase in remuneration and in provisions for future employee benefits),
- materials, fuels, energy costs by PLN 67 269 thousand (due to an increase of purchase prices of materials and fuels, and an increase in energy consumption),
- external services costs by PLN 39 847 thousand (an increased scope of preparatory mine work and repairs).

The pre-precious metals credit unit cost of electrolytic copper production (total cost prior to decrease by the value of precious metals) in the first quarter of 2012 amounted to 18 528 PLN/t, and increased versus the first quarter of 2011 by 9% due to an increase in the cost of own concentrate and a lower volume of electrolytic copper production by 5%. Taking into consideration the valuation of precious metals in anode slimes, the total unit cost of copper production amounted to 14 637 PLN/t and increased by 8%.

The pre-precious metals credit unit cost of copper production from own concentrates amounted to 15 679 PLN/t (in the comparable period – 13 821 PLN/t) alongside a lower volume of own production by 5%. The total cost of copper production from own concentrate amounted to 10 851 PLN/t and is higher in comparison to the prior year by 15%.

Profit from operations (gross profit less administrative expenses and selling costs) achieved in the first quarter of 2012 of PLN 2 338 774 thousand was lower by PLN 41 193 thousand, i.e. by 2%, than that achieved in the first quarter of 2011, mainly due to an increase in operating costs.

Other operating activities showed a loss in the first quarter of 2012 in the amount of PLN 581 459 thousand, meaning a worsening of the result from that in the first quarter of 2011 by PLN 623 062 thousand. The largest impact on the result for the first quarter, as well as on the change in respect of the prior year, was the foreign exchange losses due to the accumulation of cash prior to finalisation of the purchase of the shares of Quadra FNX Mining Ltd.

As a result of the above, **operating profit** in the first quarter of 2012 amounted to PLN 1 757 315 thousand and decreased versus the comparable period of 2011 by PLN 664 255 thousand, i.e. by 27%.

KGHM Polska Miedź S.A. earned a **profit for the first quarter of 2012** of PLN 1 405 391 thousand, which was lower by PLN 553 003 thousand, i.e. by 28%, than that achieved in the first quarter of 2011.

EBITDA in the first quarter of 2012 amounted to PLN 1 955 271 thousand (including depreciation/amortisation of PLN 197 956 thousand) and was lower by PLN 633 041 thousand, i.e. by 24%, than that in the comparable prior year period.

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

5. Financial risk management

In the first quarter of 2012, strategies hedging the copper price represented approx. 37%, and those hedging the silver price approx. 26%, of the sales of metals realised by the Company. In the case of currency transactions, approx. 18% of revenues from sales realised by the Company in this period were hedged.

The management of market risk should be considered through analysis of the hedging position together with the item being hedged (hedged position). By hedging position is meant the position of the Company in derivatives. A hedged position comprises revenues from the physical sale of products.

In the first quarter of 2012, the positive result on derivatives amounted to PLN 6 496 thousand, of which the amount of PLN 53 344 thousand was recognised in revenues from sales (the amount transferred from accumulated other comprehensive income to profit or loss in the reporting period), the amount of PLN 46 848 thousand decreased the result on other operating activities, of which PLN 18 562 thousand represented a loss due to the realisation of derivatives, while PLN 28 286 thousand represented a loss due to the measurement of derivatives. The loss on the measurement of derivative transactions recognised in other operating activities, results mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

The impact of derivatives on the profit or loss of the current and comparable periods is presented below:

	Financial period	
	for the 3 months ended 31 March 2012	for the 3 months ended 31 March 2011
Impact on sales	53 344	21 407
Impact on other operating activities	(46 848)	31 950
Gains or (losses) from realisation of derivatives	(18 562)	3 024
Gains or (losses) from measurement of derivatives	(28 286)	28 926
Total impact of derivatives on profit or loss:	6 496	53 357

In the first quarter of 2012, the Company implemented copper price hedging strategies with a total volume of 126 thousand tonnes and a time horizon falling in years 2013-2015. The Company made use of seagull option strategies (Asian options).

In the analysed period, the Company did not implement any transaction on the silver and currency market.

The Company remains hedged for a portion of copper sales planned in the period from April to December 2012 (154.1 thousand tonnes), in 2013 (103.5 thousand tonnes), in 2014 (42 thousand tonnes) and in 2015 (42 thousand tonnes). A portion of silver sales planned in the period from April to December 2012 (8.1 million troz), and in 2013 (3.6 million troz) is also hedged. With respect to revenues from sales (currency market) the Company holds a hedging position for the period from April to December 2012 (USD 690 million), 2013 (USD 960 million) and 2014 (USD 360 million).

Following is presented condensed information on open hedging positions, by type of hedged asset and instruments used as at 31 March 2012. The hedged nominal/volume in the months included in the presented periods is equally balanced.

HEDGING POSITION (condensed information) – COPPER MARKET

Period	Instrument	Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]	
II quarter of 2012	Collar ¹	Sold call option	9 750	9 300	6 453 participation restricted to 9 300	
		Purchased put option		6 900		
	Collar ¹	Sold call option	9 750	9 000	6 322 participation restricted to 9 000	
		Purchased put option		6 800		
	Collar ¹	Sold call option	9 750	9 500	6 760 participation restricted to 9 500	
		Purchased put option		7 200		
		Producer's puts ²	9 750	8 000	9.90% ³	minimal effective hedging price 7 279
		Producer's puts ²	12 375	8 300	8.66% ³	minimal effective hedging price 7 639
	Total	51 375				

¹ Tables presenting the condensed list of open hedging positions, include restructured items: the type of instrument was changed from seagull to collar. The cost of restructuring (premium for repurchase of options) was added to the cost of implementation (i.e. the average weighted premium) and the effective hedge price/exchange rate was changed.

² Due to current hedge accounting laws, transactions embedded within a producer's put – a purchased put option – are shown in the table containing a detailed list of derivatives positions – „Hedging instruments”, while sold call options are shown in the table „Trade instruments”.

³ Payable at the moment of settlement.

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

HEDGING POSITION (condensed information) – COPPER MARKET (continued)

Period	Instrument	Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]		
II half of 2012	Collar ¹	Sold call option	19 500	9 300	6 446		
		Purchased put option		6 900		(454)	participation restricted to 9 300
	Collar ¹	Sold call option	19 500	9 000	(459)	6 341	
		Purchased put option		6 800		(459)	participation restricted to 9 000
	Collar ¹	Sold call option	19 500	9 500	(453)	6 747	
		Purchased put option		7 200		(453)	participation restricted to 9 500
		Producer's puts ²	19 500	8 500	8.74% ³	minimal effective hedging price 7 817	
	Producer's puts ²	24 750	8 300	8.66% ³	minimal effective hedging price 7 639		
	Total	102 750					
	April – December 2012, total	154 125					
I half of 2013	Seagull ⁴	Sold call option	19 500	9 500	(383)	6 817	
		Purchased put option		7 200		(383)	restricted to 4 700
		Sold put option		4 700			participation restricted to 9 500
	Collar	Sold call option	10 500	12 000	(460)	8 040	
		Purchased put option		8 500		(460)	participation restricted to 12 000
	Collar	Sold call option	10 500	11 500	(333)	7 867	
		Purchased put option		8 200		(333)	participation restricted to 11 500
	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368	
		Purchased put option		7 700		(332)	restricted to 4 500
		Sold put option		4 500			participation restricted to 10 200
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432	
		Purchased put option		7 800		(368)	restricted to 4 500
	Sold put option		4 500			participation restricted to 10 300	
	Total	61 500					
II half of 2013	Collar	Sold call option	10 500	12 000	(460)	8 040	
		Purchased put option		8 500		(460)	participation restricted to 12 000
	Collar	Sold call option	10 500	11 500	(333)	7 867	
		Purchased put option		8 200		(333)	participation restricted to 11 500
	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368	
		Purchased put option		7 700		(332)	restricted to 4 500
		Sold put option		4 500			participation restricted to 10 200
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432	
		Purchased put option		7 800		(368)	restricted to 4 500
		Sold put option		4 500			participation restricted to 10 300
		Total	42 000				
		TOTAL 2013	103 500				
I half of 2014	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368	
		Purchased put option		7 700		(332)	restricted to 4 500
		Sold put option		4 500			participation restricted to 10 200
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432	
		Purchased put option		7 800		(368)	restricted to 4 500
	Sold put option		4 500			participation restricted to 10 300	
	Total	21 000					
II half of 2014	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368	
		Purchased put option		7 700		(332)	restricted to 4 500
		Sold put option		4 500			participation restricted to 10 200
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432	
		Purchased put option		7 800		(368)	restricted to 4 500
	Sold put option		4 500			participation restricted to 10 300	
	Total	21 000					
	TOTAL 2014	42 000					
I half of 2015	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368	
		Purchased put option		7 700		(332)	restricted to 4 500
		Sold put option		4 500			participation restricted to 10 200
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432	
		Purchased put option		7 800		(368)	restricted to 4 500
	Sold put option		4 500			participation restricted to 10 300	
	Total	21 000					

⁴ Due to current hedge accounting laws, transactions embedded within a seagull – a purchased put option and a sold call option – are shown in the table – „Hedging instruments”, while sold put options are shown in the table „Trade instruments”.

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

HEDGING POSITION (condensed information) – COPPER MARKET (continued)

Period	Instrument		Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]
II half of 2015	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
Total		21 000				
TOTAL 2015		42 000				

HEDGING POSITION (condensed information) – SILVER MARKET

Period	Instrument		Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
II quarter of 2012	Purchased put option		0.90	30.00	(2.89)	27.11
	Put spread ⁵	Purchased put option	0.90	40.00	(1.18)	38.82 restricted to 19.80
		Sold put option ²		19.80		
	Collar	Sold call option	0.90	62.00	(1.63)	35.37 participation restricted to 62.00
		Purchased put option		37.00		
Total		2.70				
II half of 2012	Purchased put option		1.80	30.00	(2.89)	27.11
	Put spread ⁵	Purchased put option	1.80	40.00	(1.18)	38.82 restricted to 19.80
		Sold put option ²		19.80		
	Collar	Sold call option	1.80	62.00	(1.63)	35.37 participation restricted to 62.00
		Purchased put option		37.00		
Total		5.40				
April – December 2012, total		8.10				
I half of 2013	Seagull ⁴	Sold call option	1.80	65.00	(1.98)	38.02 restricted to 20.00 participation restricted to 65.00
		Purchased put option		40.00		
		Sold put option		20.00		
	Total		1.80			
II half of 2013	Seagull ⁴	Sold call option	1.80	65.00	(1.98)	38.02 restricted to 20.00 participation restricted to 65.00
		Purchased put option		40.00		
		Sold put option		20.00		
	Total		1.80			
TOTAL 2013		3.60				

HEDGING POSITION (condensed information) – CURRENCY MARKET

Period	Instrument		Notional [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]
II quarter of 2012	Seagull ⁴	Sold call option	45	4.4000	(0.0942)	3.2058 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Collar	Sold call option	45	4.5000	(0.1528)	3.2472 participation restricted to 4.50
		Purchased put option		3.4000		
	Purchased put option		180	2.6000	(0.0970)	2.5030
Total		270				
II half of 2012	Seagull ⁴	Sold call option	90	4.4000	(0.0767)	3.2233 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Collar	Sold call option	90	4.5000	(0.1473)	3.2527 participation restricted to 4.50
		Purchased put option		3.4000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
	Total		420			
April – December 2012, total		690				

⁵ Due to current hedge accounting laws, transactions embedded within a put spread – a purchased put option – are shown in the table containing a detailed list of derivatives positions „Hedging instruments”, while sold put options are shown in the table „Trade instruments”.

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

HEDGING POSITION (condensed information) – CURRENCY MARKET (continued)

Period	Instrument		Notional [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]
I half of 2013	Seagull ⁴	Sold call option	240	4.0000	(0.0332)	3.1168 restricted to 2.60 participation restricted to 4.00
		Purchased put option		3.1500		
		Sold put option		2.6000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
	Total		480			
II half of 2013	Seagull ⁴	Sold call option	240	4.0000	(0.0230)	3.1270 restricted to 2.60 participation restricted to 4.00
		Purchased put option		3.1500		
		Sold put option		2.6000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
	Total		480			
TOTAL 2013		960				
I half of 2014	Seagull ⁴	Sold call option	180	4.5000	(0.0506)	3.4494 restricted to 2.70 participation restricted to 4.50
		Purchased put option		3.5000		
		Sold put option		2.7000		
	Total		180			
II half of 2014	Seagull ⁴	Sold call option	180	4.5000	(0.0345)	3.4655 restricted to 2.70 participation restricted to 4.50
		Purchased put option		3.5000		
		Sold put option		2.7000		
	Total		180			
TOTAL 2014		360				

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest⁶ (12.5%), medium-high⁷ (75%) or medium⁸ (12.5%) ratings. Based on fair value at 31 March 2012⁹, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 25.7%.

Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, as well as to cooperation with highly-rated financial institutions, and also taking into consideration the fair value of receivables arising from derivative transactions, the Company is not materially exposed to credit risk as a result of derivative transactions entered into.

In order to reduce cash flows as well as credit risk, the Company carries out net settlement (based on framework agreements entered into with its customers) to the level of the positive balance of fair value measurement of transactions in derivatives with a given counterparty.

At 31 March 2012, the fair value of open positions in derivatives amounted to PLN 595 219 thousand, of which PLN 826 401 thousand related to the positive fair value of hedging instruments, PLN 231 113 thousand related to the negative fair value of trade instruments, and PLN 69 thousand related to the negative fair value of instruments initially designated as hedging instruments excluded from hedge accounting. The fair value of open positions in derivatives varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

Detailed information on positions in derivatives at 31 March 2012 is presented below in the tables "Trade instruments", "Hedging instruments" and "Instruments initially designated as hedging instruments excluded from hedge accounting".

⁶ By highest rating is meant a rating from AAA to AA- as determined by Standard & Poor's and Fitch, and from Aaa to Aa3 as determined by Moody's.

⁷ By medium-high rating is meant a rating from A+ to A- as determined by Standard & Poor's and Fitch, and from A1 to A3 as determined by Moody's.

⁸ By medium rating is meant a rating from BBB+ to BBB- as determined by Standard & Poor's and Fitch, and from Baa1 to Baa3 as determined by Moody's.

⁹ The fair value of derivatives as at 31 March 2012 amounted to PLN 595 219 thousand.

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

TRADE INSTRUMENTS			At 31 March 2012			
			Financial assets		Financial liabilities	
Type of derivative	Volume/ Notional Cu [t] Ag [000 troz] Currency [000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Current	Non-current	Current	Non-current
			Derivatives - Metals - Copper:			
Options						
Sold call options	5 885	1	-	-	(154 563)	-
Purchased put options	87 750	4 633	143	-	-	-
Sold put options	233 250	4 567	-	-	(332)	(29 473)
TOTAL:			143	-	(154 895)	(29 473)
Derivatives - Metals - Silver:						
Options						
Purchased call options	2 700	62.00	69	-	-	-
Sold put options	6 300	19.91	-	-	(486)	(4 190)
TOTAL:			69	-	(486)	(4 190)
Derivatives - Currency contracts:						
Options USD						
Sold put options	975 000	2.6508	-	-	(3 796)	(38 485)
TOTAL:			-	-	(3 796)	(38 485)
TOTAL TRADE INSTRUMENTS			212	-	(159 177)	(72 148)

HEDGING INSTRUMENTS			At 31 March 2012							
			Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
Type of derivative	Volume/ Notional Cu [t] Ag [000 troz] Currency [000 USD]	Avg. weighted price/ ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	From	To	From	To	Current	Non-current	Current	Non-current
			Derivatives - Metals- Copper							
Options										
Collar	42 000	8 350-11 750	Jan-13	Dec-13	Feb-13	Jan-14	17 323	109 431	(2 540)	(26 262)
Collar - seagulls	233 250	7 421-9 829	Apr-12	Dec-15	May-12	Jan-16	41 706	388 745	(85 795)	(290 835)
Purchased put options- producer's puts	66 375	8 315	Apr-12	Dec-12	May-12	Jan-13	95 577	-	-	-
TOTAL:							154 606	498 176	(88 335)	(317 097)
Derivatives - Metals - Silver										
Options										
Purchased put options	5 400	35.00	Apr-12	Dec-12	May-12	Jan-13	77 566	-	-	-
Collar	2 700	37.00-62.00	Apr-12	Dec-12	May-12	Jan-13	45 606	-	(69)	-
Collar - seagull	3 600	40.00-65.00	Jan-13	Dec-13	Feb-13	Jan-14	16 404	91 049	(96)	(2 427)
TOTAL:							139 576	91 049	(165)	(2 427)
Derivatives - Currency contracts										
Options USD										
Purchased put options	180 000	2.6000	Apr-12	June-12	Apr-12	June-12	33	-	-	-
Collar	855 000	3.2316-4.2474	Apr-12	Dec-13	Apr-12	Dec-13	99 338	75 170	(2 029)	(15 093)
Seagull	975 000	3.3000-4.2400	Apr-12	Dec-14	Apr-12	Dec-14	48 217	197 583	(2 849)	(49 352)
TOTAL:							147 588	272 753	(4 878)	(64 445)
TOTAL HEDGING INSTRUMENTS							441 770	861 978	(93 378)	(383 969)

C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)

**INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS
EXCLUDED FROM HEDGE ACCOUNTING**

At 31 March 2012

Type of derivative	Volume Ag [000 troz]	Avg. weighted price Ag [USD/troz]	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non- current	Current	Non- current
Derivatives – Metals - Silver										
Options										
Sold call options	2 700	62.00	Apr-12	Dec-12	May-12	Jan-13				(69)
TOTAL										(69)
TOTAL INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING										(69)

The fair values of derivatives and other receivables and liabilities due to unsettled derivatives with a settlement date of 3 April 2012, as at 31 March 2012, are presented in the table below:

	Total: fair value of derivatives and of other receivables and liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other receivables and liabilities due to unsettled derivatives
Financial assets	1 314 341	1 303 960	10 381
Financial liabilities	(726 650)	(708 741)	(17 909)
Net fair value	587 691	595 219	(7 528)

At 31 March 2012, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 257 213 thousand, of which PLN 178 215 thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 78 998 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

At 31 December 2011, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 708 992 thousand. The entire amount related to the effective portion of the result from the measurement of transactions hedging metals price risk.

During the first quarter of 2012 there was a decrease in other comprehensive income by PLN 451 779 thousand (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as a decrease in accumulated other comprehensive income due to the effective portion of hedging transactions, in the amount of PLN 398 435 thousand,
- the amount of PLN 53 344 thousand, decreasing accumulated other comprehensive income, transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

	At	
Accumulated other comprehensive income	31 March 2012	31 December 2011
Commodity price risk hedging transactions (copper and silver) – derivatives	178 215	708 992
Currency risk hedging transactions – derivatives	78 998	-
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	257 213	708 992

Lubin, 14 May 2012